Fundamental Accounting Principles 25th edition Wild Test Bank

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Fundamental Accounting Principles 25th Edition by Wild CH01

ANSWERS ARE LOCATED AT THE END OF THIS DOCUMENT

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

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

1) _____

◎ true
◎ false

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.
Topic : Importance of Accounting

2) Accounting includes the analysis and interpretation of information.

2) _____

◎ true
◎ false

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.
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3) Financial accounting focuses on the needs of external users, who get accounting information from general-purpose financial statements.

3) _____

Fundamental Accounting Principles 25th edition Wild Test Bank

◎ true
◎ false

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Users of Accounting Information
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.

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

4) _____

◎ true
◎ false

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Users of Accounting Information
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.

5) Auditors verify the effectiveness of internal controls.

5) _____

◎ true
◎ false

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Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
Topic : Ethics
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

6) _____

- ◎ true
- ◎ false

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Users of Accounting Information
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.

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

7) _____

- ◎ true
- ◎ false

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Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
Topic : Users of Accounting Information
AICPA : FN Decision Making
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.

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

8) _____

◎ true
◎ false

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
Topic : Users of Accounting Information
AICPA : FN Decision Making
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.

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

9) _____

◎ true
◎ false

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Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
Topic : Users of Accounting Information
AICPA : FN Decision Making
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.

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

10) _____

- ◎ true
- ◎ false

Question Details
AACSB : Ethics
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Decision Making
AICPA : BB Legal
Topic : Ethics
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

11) _____

- ◎ true
- ◎ false

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Question Details
AACSB : Ethics
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
AICPA : BB Legal
Topic : Ethics
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

12) _____

◎ true
◎ false

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

13) _____

◎ true
◎ false

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Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

14) In a partnership, the owners are called stockholders.

14) _____

◎ true
◎ false

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

15) _____

◎ true
◎ false

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Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements

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

16) _____

- ◎ true
- ◎ false

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Difficulty : 2 Medium
Bloom's : Understand
Topic : Generally Accepted Accounting Principles
AICPA : FN Reporting
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

17) The business entity assumption means that accounting information presumes that the business will continue operating instead of being closed or sold.

17) _____

- ◎ true
- ◎ false

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Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
AICPA : FN Decision Making
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

18) GAAP wants information to have relevance and faithful representation.

18) _____

◎ true
◎ false

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

19) _____

◎ true
◎ false

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Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

20) Revenues should not be recognized in the accounting records when earned, but rather when cash is received.

20) _____

- ◎ true
- ◎ false

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
Topic : Generally Accepted Accounting Principles
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

21) _____

- ◎ true
- ◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

22) _____

◎ true
◎ false

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

23) _____

◎ true
◎ false

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Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Difficulty : 2 Medium
Bloom's : Understand
Topic : Generally Accepted Accounting Principles
AICPA : FN Decision Making
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

24) _____

- ◎ true
- ◎ false

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

25) _____

- ◎ true
- ◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

26) _____

◎ true
◎ false

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

27) _____

◎ true
◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
Topic : Generally Accepted Accounting Principles
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

28) The monetary unit assumption means that companies should express transactions and events in terms such as "a lot" or "very little".

28) _____

- ◎ true
- ◎ false

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
Topic : Generally Accepted Accounting Principles
AICPA : BB Global
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

29) _____

- ◎ true
- ◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
Topic : Generally Accepted Accounting Principles
AICPA : BB Global
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

30) _____

◎ true
◎ false

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

31) _____

◎ true
◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

32) _____

- ◎ true
- ◎ false

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Topic : Generally Accepted Accounting Principles
AICPA : FN Reporting
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

33) The four common forms of business ownership include sole proprietorship, partnership, i-corp, and non-profit.

33) _____

- ◎ true
- ◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

34) _____

- ◎ true
- ◎ false

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making

35) Materiality is the ability of information to influence decisions.

35) _____

- ◎ true
- ◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
AICPA : BB Critical Thinking
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

36) _____

- ◎ true
- ◎ false

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
AICPA : FN Decision Making
AICPA : BB Critical Thinking

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

37) _____

- ◎ true
- ◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making

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

38) _____

◎ true
◎ false

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
AICPA : FN Decision Making

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

39) _____

◎ true
◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making

40) Revenues are increases in equity (via net income) from sales of products and services to customers.

40) _____

◎ true
◎ false

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation

41) A net loss occurs when revenues exceed expenses.

41) _____

◎ true
◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AICPA : BB Critical Thinking
AACSB : Analytical Thinking

42) Net income occurs when revenues exceed expenses.

42) _____

◎ true
◎ false

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AICPA : BB Critical Thinking
AACSB : Analytical Thinking

43) Liabilities are the owner's claim on assets.

43) _____

◎ true
◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation

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

44) _____

◎ true
◎ false

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation

45) Owner withdrawals are subtracted as expenses in the calculation of net income.

45) _____

◎ true
◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
Bloom's : Understand

46) The accounting equation can be restated as: Assets − Equity = Liabilities.

46) _____

◎ true
◎ false

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

47) The accounting equation can be restated as: Assets + Liabilities = Equity.

47) _____

◎ true
◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

48) Owner's investments are increases in equity from the sale of products or services.

48) _____

◎ true
◎ false

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AICPA : BB Critical Thinking
AACSB : Analytical Thinking

49) After each transaction and event, assets always equal liabilities plus equity.

49) _____

◎ true
◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
Bloom's : Remember
Difficulty : 1 Easy

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

50) _____

- ◎ true
- ◎ false

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
Bloom's : Understand
AICPA : FN Decision Making

51) Owner's equity is increased when cash is received from customers in payment of previously recorded accounts receivable.

51) _____

- ◎ true
- ◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
Bloom's : Understand
AICPA : BB Critical Thinking
AACSB : Analytical Thinking

52) An owner's investment increases equity via net income.

52) _____

◎ true
◎ false

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Difficulty : 2 Medium
Bloom's : Understand
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AICPA : BB Critical Thinking
AACSB : Analytical Thinking

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

53) _____

◎ true
◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AICPA : BB Resource Management
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
Difficulty : 2 Medium
Bloom's : Understand
AACSB : Analytical Thinking

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

54) _____

- ◎ true
- ◎ false

Question Details
AICPA : BB Resource Management
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
Difficulty : 2 Medium
Bloom's : Understand
AACSB : Analytical Thinking

55) The four basic financial statements include the balance sheet, income statement, statement of owner's equity, and statement of cash flows.

55) _____

- ◎ true
- ◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy

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

56) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking

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

57) _____

◎ true
◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy
AACSB : Analytical Thinking

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

58) _____

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy
AACSB : Analytical Thinking

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

59) _____

- ◎ true
- ◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking

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

60) _____

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking

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

61) _____

- ◎ true
- ◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking

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

62) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking

63) The statement of cash flows identifies cash flows from operating, investing, and financing activities over a period of time.

63) _____

◎ true
◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy
AACSB : Analytical Thinking

64) Ending capital reported on the statement of owner's equity is calculated by adding owner investments and net losses and subtracting net income and withdrawals.

64) _____

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AICPA : BB Critical Thinking
AACSB : Analytical Thinking

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

65) _____

- ◎ true
- ◎ false

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

66) Net income is sometimes called earnings or profit.

66) _____

◎ true
◎ false

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy

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

67) Which of the following is not accomplished by accounting?

67) _____

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A) Identifies business activities.
B) Records business activities.
C) Communicates business activities.
D) Eliminates the need for interpreting financial data.
E) Helps people make better decisions.

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Decision Making
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.
Topic : Importance of Accounting
AACSB : Analytical Thinking

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

68) _____

A) Purchasing manager.
B) Human resource manager.
C) Lender.
D) Chief executive officer (CEO).
E) Marketing manager.

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Technology
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
Topic : Users of Accounting Information
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.
AICPA : FN Leveraging Technology

69) The primary objective of financial accounting is to:

69) _____

A) Serve the decision-making needs of internal users.
B) Provide accounting information that serves external users.
C) Monitor consumer needs, tastes, and price concerns.
D) Provide information on both the costs and benefits of looking after products and services.
E) Know what, when, and how much product to produce.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
Topic : Users of Accounting Information
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.

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

70) _____

Fundamental Accounting Principles 25th edition Wild Test Bank

A) Financial accounting.
B) Managerial accounting.
C) External auditing.
D) SEC reporting.
E) Bookkeeping.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Topic : Users of Accounting Information
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.

71) Which of the following is *not* an external user of accounting information?

71) _____

A) Shareholders.
B) Customers.
C) Purchasing managers.
D) Government regulators.
E) Creditors.

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
Topic : Users of Accounting Information
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.

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

72) _____

A) Must meet education requirements.
B) Must pass an examination.
C) Must exhibit ethical character.
D) Must meet experience requirements.
E) Cannot hold any certificate other than a CPA.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Users of Accounting Information
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.

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

73) _____

Fundamental Accounting Principles 25th edition Wild Test Bank

A) Opportunity
B) Pressure
C) Rationalization
D) All of the above are components of the fraud triangle.

Question Details
AACSB : Ethics
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
AICPA : BB Legal
Topic : Ethics
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

74) Which of the following is not true regarding ethics:

74) _____

A) Ethics are beliefs that separate right from wrong.
B) Good ethics are good business.
C) Ethics do not affect the operations or outcome of a company.
D) Accountants face ethical choices as they prepare financial reports.
E) Ethics are accepted standards of good and bad behavior.

Question Details
AACSB : Ethics
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Decision Making
Topic : Ethics
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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75) A corporation is:

75) _____

A) A business legally separate from its owners.
B) Controlled by the FASB.
C) Not responsible for its own acts and own debts.
D) The same as a limited liability partnership.
E) Not subject to double taxation.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

76) _____

A) AICPA.
B) IASB.
C) CAP.
D) SEC.
E) FASB.

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Topic : Generally Accepted Accounting Principles
AICPA : FN Reporting
AICPA : BB Global
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

77) _____

A) APB.
B) FASB.
C) AAA.
D) AICPA.
E) IASB.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
AICPA : FN Reporting
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

78) The accounting concept that requires every business to be accounted for separately from other business entities, including its owner or owners is known as the:

78) _____

Fundamental Accounting Principles 25th edition Wild Test Bank

A) Time-period assumption.
B) Business entity assumption.
C) Going-concern assumption.
D) Revenue recognition principle.
E) Measurement (Cost) principle.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
AICPA : FN Reporting
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

79) The rule that requires financial statements to assume that the business will continue operating instead of being closed or sold is the:

79) _____

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

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
AICPA : FN Reporting
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

80) If a company is considering the purchase of a parcel of land that was originally acquired by the seller for $100,000, is currently offered for sale at $180,000, is considered by the purchaser as easily being worth $170,000, and is finally purchased for $167,000, the land should be recorded in the purchaser's books at:

80) _____

A) $110,000.
B) $167,000.
C) $168,500.
D) $170,000.
E) $180,000.

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Topic : Generally Accepted Accounting Principles
AACSB : Analytical Thinking
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
Type : Algorithmic

Fundamental Accounting Principles 25th edition Wild Test Bank

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

81) _____

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

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Topic : Generally Accepted Accounting Principles
AACSB : Analytical Thinking
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

82) To include the personal assets and transactions of a business's owner in the records and reports of the business would be in conflict with the:

82) _____

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

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Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
Topic : Generally Accepted Accounting Principles
AICPA : FN Reporting
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

83) The accounting principle that requires accounting information to be based on actual cost and requires assets and services to be recorded initially at the cash or cash-equivalent amount given in exchange, is the:

83) _____

A) Accounting equation.
B) Measurement (Cost) principle.
C) Going-concern assumption.
D) Cost-benefit constraint.
E) Business entity assumption.

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
AICPA : FN Reporting
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

84) _____

A) Going-concern assumption.
B) Measurement (Cost) principle.
C) Revenue recognition principle.
D) Objectivity principle.
E) Business entity assumption.

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
AICPA : FN Reporting
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

85) The question of when revenue should be recognized on the income statement according to GAAP is addressed by the:

85) _____

A) Revenue recognition principle.
B) Going-concern assumption.
C) Objectivity principle.
D) Business entity assumption.
E) Measurement (Cost) principle.

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
AICPA : FN Reporting
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

86) _____

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

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Topic : Generally Accepted Accounting Principles
AICPA : BB Legal
AACSB : Analytical Thinking
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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87) On December 15 of the current year, Conrad Accounting Services received $40,000 from a client to provide bookkeeping services for the client in the following year. Which accounting principle would require Conrad Accounting Services to record the bookkeeping revenue in the following year and not in the year the cash was received?

87) _____

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

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 2 Medium
Topic : Generally Accepted Accounting Principles
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

88) Marsha Bogswell is the owner of Bogswell Legal Services. Which accounting principle requires Marsha to keep her personal financial information separate from the financial information of Bogswell Legal Services?

88) _____

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

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 2 Medium
Topic : Generally Accepted Accounting Principles
AICPA : FN Reporting
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

89) A limited liability company (LLC):

89) _____

A) Has owners called members.
B) Is subject to additional business income tax.
C) Includes a general owner with unlimited liability.
D) Is the same as a corporation.
E) Must have more than one owner.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Difficulty : 2 Medium
Bloom's : Understand
Topic : Generally Accepted Accounting Principles
AICPA : FN Reporting
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

90) A partnership:

90) _____

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A) Is also called a sole proprietorship.
B) Has unlimited liability for its partners.
C) Has an indefinite business life.
D) Is a separate legal entity from its owners.
E) Has owners called shareholders.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Difficulty : 2 Medium
Bloom's : Understand
Topic : Generally Accepted Accounting Principles
AICPA : FN Reporting
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

91) _____

A) Going-concern assumption.
B) Expense recognition (Matching) principle..
C) Measurement (Cost) principle.
D) Business entity assumption.
E) Consideration assumption.

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Difficulty : 2 Medium
Bloom's : Understand
Topic : Generally Accepted Accounting Principles
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

92) Which of the following accounting principles prescribes that a company record its expenses incurred to generate the revenue reported?

92) _____

A) Going-concern assumption.
B) Expense recognition (Matching) principle.
C) Measurement (Cost) principle.
D) Business entity assumption.
E) Consideration assumption.

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Difficulty : 2 Medium
Bloom's : Understand
Topic : Generally Accepted Accounting Principles
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

93) Revenue is properly recognized:

93) _____

Fundamental Accounting Principles 25th edition Wild Test Bank

A) When the customer makes an order.
B) Only if the transaction creates an account receivable.
C) At the end of the accounting period.
D) When goods or services are provided to customers and at the amount expected to be received from the customer.
E) When cash from a sale is received.

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
Topic : Generally Accepted Accounting Principles
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

94) Which of the following is not an external user of accounting information?

94) _____

A) Lenders.
B) Shareholders.
C) Politicians.
D) Chief executive officer (CEO).
E) Customers.

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
Topic : Users of Accounting Information
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.

95) Which of the following is an internal user of accounting information?

95) _____

A) Customers.
B) Internal Revenue Service.
C) Human resource manager.
D) Shareholders.
E) Lenders.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
Topic : Users of Accounting Information
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.

96) If a company uses $1,580 of its cash to purchase supplies, the effect on the accounting equation would be:

96) _____

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A) Assets increase $1,580 and liabilities decrease $1,580.
B) One asset increases $1,580 and another asset decreases $1,580, causing no effect.
C) Assets decrease $1,580 and equity decreases $1,580.
D) Assets decrease $1,580 and equity increases $1,580.
E) Assets increase $1,580 and liabilities increase $1,580.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking
Type : Algorithmic

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

97) _____

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

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking

98) If a company receives $12,800 from the owner to establish a proprietorship, the effect on the accounting equation would be:

98) _____

A) Assets decrease $12,800 and equity decreases $12,800.
B) Assets increase $12,800 and liabilities decrease $12,800.
C) Assets increase $12,800 and liabilities increase $12,800.
D) Liabilities increase $12,800 and equity decreases $12,800.
E) Assets increase $12,800 and equity increases $12,800.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking
Type : Algorithmic

99) If a company receives $12,000 from the owner to establish a proprietorship, the effect on the accounting equation would be:

99) _____

Fundamental Accounting Principles 25th edition Wild Test Bank

A) Assets decrease $12,000 and equity decreases $12,000.
B) Assets increase $12,000 and liabilities decrease $12,000.
C) Assets increase $12,000 and liabilities increase $12,000.
D) Liabilities increase $12,000 and equity decreases $12,000.
E) Assets increase $12,000 and equity increases $12,000.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking

100) If a company purchases equipment costing $6,200 on credit, the effect on the accounting equation would be:

100) _____

A) Assets increase $6,200 and liabilities decrease $6,200.
B) Equity decreases $6,200 and liabilities increase $6,200.
C) One asset increases $6,200 and another asset decreases $6,200.
D) Assets increase $6,200 and liabilities increase $6,200.
E) Equity increases $6,200 and liabilities decrease $6,200.

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking
Type : Algorithmic

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

101) _____

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

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking

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

102) _____

Fundamental Accounting Principles 25th edition Wild Test Bank

A) Buying office supplies.
B) Obtaining a long-term loan.
C) Buying office equipment.
D) Selling inventory.
E) Buying land.

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking

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

103) _____

A) Liabilities.
B) Revenues.
C) Financing activities.
D) Investing activities.
E) Expenses.

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Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : FN Reporting
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AICPA : BB Legal
AACSB : Analytical Thinking

104) Which of the following decreases equity:

104) _____

A) Investing activities.
B) Assets.
C) Accounts receivable.
D) Revenues.
E) Expenses.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AICPA : FN Decision Making
Topic : Ethics
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

105) An example of an investing activity on a statement of cash flows is:

105) _____

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A) Paying wages of employees.
B) Withdrawals by the owner.
C) Purchase of land.
D) Selling inventory.
E) Contribution from owner.

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking

106) Net Income:

106) _____

A) Decreases equity.
B) Represents the amount of assets owners put into a business.
C) Equals assets minus liabilities.
D) Occurs when revenues exceed expenses.
E) Represents creditor claims against assets.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy

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107) If equity is $420,000 and liabilities are $200,000, then assets equal:

107) _____

A) $220,000.
B) $200,000.
C) $420,000.
D) $620,000.
E) $1,040,000.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking
Type : Algorithmic

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

108) _____

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

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Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

109) If assets are $319,000 and liabilities are $190,000, then equity equals:

109) _____

A) $129,000.
B) $190,000.
C) $319,000.
D) $509,000.
E) $828,000.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking
Type : Algorithmic

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

110) _____

Fundamental Accounting Principles 25th edition Wild Test Bank

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

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

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

A) Assets.
B) Revenues.
C) Liabilities.
D) Payables.
E) Expenses.

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation

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112) Increases in equity from a company's sales of products or services to customers are:

112) _____

A) Assets.
B) Revenues.
C) Liabilities.
D) Owner's Equity.
E) Expenses.

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation

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

113) _____

A) Net income.
B) Expense.
C) Equity.
D) Revenue.
E) Net loss.

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Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation

114) Creditors' claims on assets are called:

114) _____

A) Net losses.
B) Expenses.
C) Revenues.
D) Equity.
E) Liabilities.

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation

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

115) _____

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A) Liabilities.
B) Equity.
C) Withdrawals.
D) Expenses.
E) Owner's Investment.

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation

116) The description of the relation between a company's assets, liabilities, and equity, which is expressed as Assets = Liabilities + Equity, is known as the:

116) _____

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

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Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation

117) Revenues are:

117) _____

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

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation

118) If assets are $111,000 and liabilities are $38,000, then equity equals:

118) _____

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A) $38,000.
B) $73,000.
C) 111,000.
D) $149,000.
E) $260,000.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 2 Medium
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AICPA : BB Critical Thinking
AACSB : Analytical Thinking
Type : Algorithmic

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

119) _____

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

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 2 Medium
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AICPA : BB Critical Thinking
AACSB : Analytical Thinking

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120) Another name for equity is:

120) _____

A) Net income.
B) Expenses.
C) Net assets.
D) Revenue.
E) Net loss.

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Understand
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation

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

121) _____

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

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Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy

122) Outflows of cash and other assets to owners for personal use are called a(n):

122) _____

A) Liabilities.
B) Withdrawals.
C) Expenses.
D) Contributions.
E) Investments.

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation

123) Outflows of cash or other resources from a business to its owners:

123) _____

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A) Reduce assets and equity.
B) Increase assets and equity.
C) Have no effect on equity.
D) Increases assets and reduces equity.
E) Reduces assets and increases equity.

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation

124) The assets of a company total $716,000; the liabilities, $208,000. What is the amount of equity?

124) _____

A) $924,000.
B) $716,000.
C) $508,000.
D) $208,000.
E) It is impossible to determine unless the amount of the owners' investment is known.

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Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking
Type : Algorithmic

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

125) _____

A) $900,000.
B) $700,000.
C) $500,000.
D) $200,000.
E) It is impossible to determine unless the amount of the owners' investment is known.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

126) On May 31 of the current year, the assets and liabilities of Riser, Inc. are as follows: Cash $21,000; Accounts Receivable, $7,350; Supplies, $700; Equipment, $12,100; Accounts Payable, $9,400. What is the amount of equity as of May 31 of the current year?

126) _____

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A) $50,550.
B) $13,100.
C) $21,000.
D) $31,750.
E) $41,150.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking
Type : Algorithmic

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

127) _____

A) $49,700.
B) $13,050.
C) $20,500.
D) $31,100.
E) $40,400.

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Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

128) On August 31 of the current year, the assets and liabilities of Gladstone, Inc. are as follows: Cash $31,050; Supplies, $690; Equipment, $10,800; Accounts Payable, $9,500. What is the amount of equity as of August 31 of the current year?

128) _____

A) $32,350.
B) $33,040.
C) $31,660.
D) $10,060.
E) $11,440.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking
Type : Algorithmic

129) On August 31 of the current year, the assets and liabilities of Gladstone, Inc. are as follows: Cash $30,000; Supplies, $600; Equipment, $10,000; Accounts Payable, $8,500. What is the amount of equity as of August 31 of the current year?

129) _____

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A) $49,100.
B) $32,100.
C) $12,100.
D) $10,900.
E) $30,900.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

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

130) _____

A) Accounts payable.
B) Accounts receivable.
C) Liabilities.
D) Expenses.
E) Equity.

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation

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

131) _____

A) The accounting equation.
B) Recordkeeping or bookkeeping.
C) An external transaction.
D) An asset.
E) Net Income.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making

132) Saddleback Company paid off $34,000 of its accounts payable in cash. What would be the effects of this transaction on the accounting equation?

132) _____

A) Assets increase $34,000; equity increases $34,000.
B) Assets decrease $34,000; liabilities decrease $34,000.
C) Assets decrease $34,000; liabilities increase $34,000.
D) Liabilities decrease $34,000; equity increases $34,000.
E) Assets decrease $34,000; equity decreases $34,000.

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Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking
Type : Algorithmic

133) Saddleback Company paid off $30,000 of its accounts payable in cash. What would be the effects of this transaction on the accounting equation?

133) _____

A) Assets increase $30,000; equity increases $30,000.
B) Assets decrease $30,000; liabilities decrease $30,000.
C) Assets decrease $30,000; liabilities increase $30,000.
D) Liabilities decrease $30,000; equity increases $30,000.
E) Assets decrease $30,000; equity decreases $30,000.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking

134) If Houston Company billed a client for $25,000 of consulting work completed, the accounts receivable asset increases by $25,000 and:

134) _____

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A) Accounts payable decreases $25,000.
B) Accounts payable increases $25,000.
C) Cash increases $25,000.
D) Revenue increases $25,000.
E) Revenue decreases $25,000.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking
Type : Algorithmic

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

135) _____

A) Accounts payable decreases $10,000.
B) Accounts payable increases $10,000.
C) Cash increases $10,000.
D) Revenue increases $10,000.
E) Revenue decreases $10,000.

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Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking

136) Alpha Company has assets of $624,000, liabilities of $262,000, and equity of $362,000. It buys office equipment on credit for $87,000. What would be the effects of this transaction on the accounting equation?

136) _____

A) Assets increase by $87,000 and expenses increase by $87,000.
B) Assets increase by $87,000 and expenses decrease by $87,000.
C) Liabilities increase by $87,000 and expenses decrease by $87,000.
D) Assets decrease by $87,000 and expenses decrease by $87,000.
E) Assets increase by $87,000 and liabilities increase by $87,000.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking
Type : Algorithmic

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

137) _____

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A) Assets increase by $75,000 and expenses increase by $75,000.
B) Assets increase by $75,000 and expenses decrease by $75,000.
C) Liabilities increase by $75,000 and expenses decrease by $75,000.
D) Assets decrease by $75,000 and expenses decrease by $75,000.
E) Assets increase by $75,000 and liabilities increase by $75,000.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking

138) Contessa Company collected $42,000 cash on its accounts receivable. The effects of this transaction as reflected in the accounting equation are:

138) _____

A) Total assets decrease and equity increases.
B) Both total assets and total liabilities decrease.
C) Total assets, total liabilities, and total equity are unchanged.
D) Both total assets and equity are unchanged and liabilities increase.
E) Total assets increase and equity decreases.

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Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking

139) If the liabilities of a business increased $107,000 during a period of time and the owner's equity in the business decreased $46,000 during the same period, the assets of the business must have:

139) _____

A) Decreased $153,000.
B) Decreased $61,000.
C) Increased $46,000.
D) Increased $61,000.
E) Increased $153,000.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking
Type : Algorithmic

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

140) _____

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A) Decreased $105,000.
B) Decreased $45,000.
C) Increased $30,000.
D) Increased $45,000.
E) Increased $105,000.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

141) If the assets of a business increased $121,000 during a period of time and its liabilities increased $83,000 during the same period, equity in the business must have:

141) _____

A) Increased $38,000.
B) Decreased $38,000.
C) Increased $121,000.
D) Decreased $204,000.
E) Increased $204,000.

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Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking
Type : Algorithmic

142) If the assets of a business increased $89,000 during a period of time and its liabilities increased $67,000 during the same period, equity in the business must have:

142) _____

A) Increased $22,000.
B) Decreased $22,000.
C) Increased $89,000.
D) Decreased $156,000.
E) Increased $156,000.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

143) If the liabilities of a company increased $82,000 during a period of time and equity in the company decreased $23,000 during the same period, what was the effect on the assets?

143) _____

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A) Assets would have increased $59,000.
B) Assets would have decreased $59,000.
C) Assets would have increased $105,000.
D) Assets would have decreased $105,000.
E) None of the above.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking
Type : Algorithmic

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

144) _____

A) Assets would have increased $55,000.
B) Assets would have decreased $55,000.
C) Assets would have increased $93,000.
D) Assets would have decreased $93,000.
E) None of the above.

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Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

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

145) _____

A) Assets would decrease $38,000, liabilities would decrease $38,000, and equity would decrease $38,000.
B) Assets would decrease $38,000, liabilities would decrease $38,000, and equity would increase $38,000.
C) Assets would decrease $38,000, liabilities would decrease $38,000, and equity remains unchanged.
D) There would be no effect on the accounts because the accounts are affected by the same amount.
E) Assets would increase $38,000 and liabilities would decrease $38,000.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking

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146) If assets are $383,000 and equity is $129,000, then liabilities are:

146) _____

A) $129,000.
B) $254,000.
C) $383,000.
D) $512,000.
E) $637,000.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking
Type : Algorithmic

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

147) _____

A) $120,000.
B) $245,000.
C) $365,000.
D) $485,000.
E) $610,000.

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Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

148) Rushing had net income of $152 million and average total assets of $1,810 million. Its return on assets (ROA) is:

148) _____

A) 8.4%.
B) 84.0%.
C) 12.0%.
D) 119.0%.
E) 16.8%.

Question Details
AICPA : BB Resource Management
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
Difficulty : 2 Medium
AACSB : Analytical Thinking
Type : Algorithmic

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

149) _____

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A) 12%.
B) 120%.
C) 80%.
D) 8%.
E) 800%.

Question Details
AICPA : BB Resource Management
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
Difficulty : 2 Medium
AACSB : Analytical Thinking

150) Cage Company had net income of $396 million and average total assets of $2,120 million. Its return on assets (ROA) is:

150) _____

A) 1.9%.
B) 37.0%.
C) 18.7%.
D) 5.4%.
E) 3.7%.

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Question Details
AICPA : BB Resource Management
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
Difficulty : 2 Medium
AACSB : Analytical Thinking
Type : Algorithmic

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

151) _____

A) 80%.
B) 0.8%.
C) 8%.
D) 12.5%.
E) 125%.

Question Details
AICPA : BB Resource Management
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
Difficulty : 2 Medium
AACSB : Analytical Thinking

152) Speedy has net income of $20,955, and assets at the beginning of the year of $202,000. Assets at the end of the year total $248,000. Compute its return on assets.

152) _____

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A) 8.4%.
B) 9.3%.
C) 10.4%.
D) 11.6%.
E) 13.6%.

Question Details
AICPA : BB Resource Management
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
AACSB : Analytical Thinking
Type : Algorithmic

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

153) _____

A) 7.7%.
B) 8.5%.
C) 9.5%.
D) 11.8%.
E) 13.0%.

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Question Details
AICPA : BB Resource Management
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
AACSB : Analytical Thinking

154) Chou Co. has a net income of $52,000, assets at the beginning of the year are $259,000 and assets at the end of the year are $309,000. Compute its return on assets.

154) _____

A) 10.0%.
B) 20.1%.
C) 16.8%.
D) 18.3%.
E) 1.7%.

Question Details
AICPA : BB Resource Management
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
AACSB : Analytical Thinking
Type : Algorithmic

155) Chou Co. has a net income of $42,900, assets at the beginning of the year are $250,000 and assets at the end of the year are $300,000. Compute its return on assets.

155) _____

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A) 8.4%.
B) 17.2%.
C) 14.3%.
D) 15.6%.
E) 1.5%.

Question Details
AICPA : BB Resource Management
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
AACSB : Analytical Thinking

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

156) _____

A) Liquidity and efficiency.
B) Solvency.
C) Profitability.
D) Market prospects.
E) Market research.

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Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Difficulty : 3 Hard
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
AICPA : BB Industry
Bloom's : Understand
AICPA : FN Risk Analysis
AACSB : Analytical Thinking

157) Equity is:

157) _____

A) Net income divided by average total assets.
B) Equal to assets plus liabilities.
C) The owner's claim on assets.
D) Increased by expenses.
E) Decreased by revenue.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AICPA : FN Risk Analysis

158) Which of the following is not reported on the statement of cash flows?

158) _____

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A) Cash flows from operating activities.
B) Cash flows from investing activities.
C) Cash flows from financing activities.
D) The net increase or decrease in equity for the period reported.
E) The net increase or decrease in cash for the period reported.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements

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

159) _____

A) Balance Sheet.
B) Income Statement.
C) Statement of Owner's Equity.
D) Statement of Cash Flows.
E) Statement of Changes in Assets.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy

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160) The statement of owner's equity:

160) _____

A) Reports how equity changes at a point in time.
B) Reports how equity changes over a period of time.
C) Reports on cash flows for operating, financing, and investing activities over a period of time.
D) Reports on cash flows for operating, financing, and investing activities at a point in time.
E) Reports on amounts for assets, liabilities, and equity at a point in time.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember

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

161) _____

A) Balance sheet.
B) Statement of owner's equity.
C) Statement of cash flows.
D) Income statement.
E) Statement of financial position.

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy

162) A balance sheet lists:

162) _____

A) The types and amounts of the revenues and expenses of a business.
B) Only the information about what happened to equity during a time period.
C) The types and amounts of assets, liabilities, and equity of a business at a point in time.
D) The inflows and outflows of cash during the period.
E) The assets and liabilities of a company but not the owner's equity.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy

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

163) _____

Fundamental Accounting Principles 25th edition Wild Test Bank

A) Balance sheet.
B) Income statement.
C) Statement of cash flows.
D) Statement of owner's equity.
E) Financial Status Statement.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy

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

164) _____

A) Statement of financial position.
B) Statement of cash flows.
C) Balance sheet.
D) Income statement.
E) Statement of changes in owner's equity.

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Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy

165) The financial statement that shows the beginning balance of owner's equity; the changes in equity that resulted from new investments by the owner, net income (or net loss); withdrawals; and the ending balance, is the:

165) _____

A) Statement of financial position.
B) Statement of cash flows.
C) Balance sheet.
D) Income statement.
E) Statement of owner's equity.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy

166) Cash investments by owners are listed on which of the following statements?

166) _____

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A) Statement of owner's equity and income statement.
B) Income statement only.
C) Statement of owner's equity only.
D) Statement of cash flows only.
E) Statement of owner's equity and statement of cash flows.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements

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

167) _____

A) Balance sheet.
B) Income statement.
C) Statement of owner's equity.
D) Statement of cash flows.
E) Transaction statement.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy

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168) Which of the following items is *not* reported on the income statement?

168) _____

A) Revenues earned by a business.
B) Expenses incurred by a business.
C) Assets owned by a business.
D) Net income or loss earned by a business.
E) The time period over which the earnings occurred.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy

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

Cash	$ 75,000
Buildings	193,000
Equipment	224,000
Liabilities	159,000

169) _____

A) $75,000.
B) $159,000.
C) $333,000.
D) $492,000.
E) $651,000.

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Question Details
Accessibility : Keyboard Navigation
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking
Type : Algorithmic

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

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

170) _____

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

Question Details
Accessibility : Keyboard Navigation
Type : Static
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

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

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Cash	$ 55,000
Buildings	117,500
Land	198,000
Liabilities	123,500

171) _____

A) $494,000.
B) $259,000.
C) $370,500.
D) $12,000.
E) $247,000.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking
Type : Algorithmic

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

Cash	$ 70,000
Buildings	125,000
Land	205,000
Liabilities	130,000

172) _____

A) $390,000.
B) $140,000.
C) $20,000.
D) $530,000.
E) $270,000.

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Question Details
Accessibility : Keyboard Navigation
Type : Static
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

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

Employee salaries expense	$ 197,000
Interest expense	27,000
Rent expense	37,000
Consulting revenue	468,000

173) _____

A) $207,000.
B) $261,000.
C) $281,000.
D) $468,000.
E) $729,000.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking
Type : Algorithmic

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

Employee salaries expense	$ 180,000
Interest expense	10,000
Rent expense	20,000
Consulting revenue	400,000

174) _____

A) $190,000.
B) $210,000.
C) $230,000.
D) $400,000.
E) $610,000.

Question Details
Accessibility : Keyboard Navigation
Type : Static
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking

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

Service revenue	$ 322,000
Rent expense	59,000
Utilities expense	4,300
Salaries expense	92,000

175) _____

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A) $284,700.
B) $477,300.
C) $171,000.
D) $166,700.
E) $263,000.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking
Type : Algorithmic

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

Service revenue	$ 300,000
Rent expense	48,000
Utilities expense	3,200
Salaries expense	81,000

176) _____

A) $263,800.
B) $432,200.
C) $171,000.
D) $167,800.
E) $252,000.

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Question Details
Accessibility : Keyboard Navigation
Type : Static
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking

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

177) _____

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

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking

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

178) _____

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

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking

179) Zippy had cash inflows from operating activities of $67,500; cash outflows from investing activities of $52,000; and cash inflows from financing activities of $30,000. The net change in cash was:

179) _____

A) $45,500 increase.
B) $45,500 decrease.
C) $149,500 decrease.
D) $149,500 increase.
E) $14,500 decrease.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking
Type : Algorithmic

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

180) _____

A) $38,500 increase.
B) $38,500 decrease.
C) $132,500 decrease.
D) $132,000 increase.
E) $11,500 decrease.

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking

181) Zapper has beginning equity of $287,000, net income of $66,000, withdrawals of $55,000 and investments by owners of $21,000. Its ending equity is:

181) _____

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A) $253,000.
B) $255,000.
C) $298,000.
D) $319,000.
E) $215,500.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking
Type : Algorithmic

182) Zapper has beginning equity of $257,000, net income of $51,000, withdrawals of $40,000 and investments by owners of $6,000. Its ending equity is:

182) _____

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

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Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking

183) Cragmont has beginning equity of $284,000, net income of $70,000, withdrawals of $32,000 and no additional investments by owners during the period. Its ending equity is:
183) _____

A) $386,000.
B) $246,000.
C) $182,000.
D) $322,000.
E) $284,000.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking
Type : Algorithmic

184) Cragmont has beginning equity of $277,000, net income of $63,000, withdrawals of $25,000 and no additional investments by owners during the period. Its ending equity is:
184) _____

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

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking

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

185) _____

A) Balance sheet.
B) Income statement.
C) Statement of owner's equity.
D) Income statement and balance sheet.
E) Statement of cash flows and balance sheet.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements

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186) A company's balance sheet shows: cash $46,000, accounts receivable $28,000, office equipment $62,000, and accounts payable $29,000. What is the amount of owner's equity?

186) _____

A) $29,000.
B) $41,000.
C) $107,000.
D) $136,000.
E) $165,000.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking
Type : Algorithmic

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

187) _____

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

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Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

188) A company reported total equity of $181,000 at the beginning of the year. The company reported $246,000 in revenues and $183,000 in expenses for the year. Liabilities at the end of the year totaled $110,000. What are the total assets of the company at the end of the year?

188) _____

A) $63,000.
B) $110,000.
C) $134,000.
D) $246,000.
E) $354,000.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking
Type : Algorithmic

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

189) _____

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

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking

190) Flitter reported net income of $18,000 for the past year. At the beginning of the year the company had $201,000 in assets and $51,000 in liabilities. By the end of the year, assets had increased to $301,000 and liabilities were $76,000. Calculate its return on assets:

190) _____

A) 9.0%.
B) 7.2%.
C) 6.0%.
D) 35.1%.
E) 23.5%.

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Question Details
AICPA : BB Resource Management
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
AACSB : Analytical Thinking
Type : Algorithmic

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

191) _____

A) 8.8%.
B) 7.0%.
C) 5.8%.
D) 35.0%.
E) 23.3%.

Question Details
AICPA : BB Resource Management
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
AACSB : Analytical Thinking

192) Cruz Company had revenues of $110,000 and expenses of $65,000 for the year. Its assets at the beginning of the year were $415,000. At the end of the year assets were worth $465,000. Calculate its return on assets.

192) _____

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A) 10.2%.
B) 10.8%.
C) 9.7%.
D) 26.5%.
E) 25.0%.

Question Details
AICPA : BB Resource Management
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
AACSB : Analytical Thinking
Type : Algorithmic

193) Cruz Company had revenues of $80,175 and expenses of $50,000 for the year. Its assets at the beginning of the year were $400,000. At the end of the year assets were worth $450,000. Calculate its return on assets.

193) _____

A) 7.1%.
B) 7.5%.
C) 6.7%.
D) 20.0%.
E) 18.8%.

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Question Details
AICPA : BB Resource Management
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
AACSB : Analytical Thinking

194) Lito Company had cash inflows from operating activities of $47,000; cash outflows from investing activities of $42,000, and cash outflows from financing activities of $32,000. Calculate the net increase or decrease in cash.

194) _____

A) $121,000 increase.
B) $57,000 increase.
C) $27,000 decrease.
D) $27,000 increase.
E) $74,000 decrease.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking
Type : Algorithmic

195) Lito Company had cash inflows from operating activities of $27,000; cash outflows from investing activities of $22,000, and cash outflows from financing activities of $12,000. Calculate the net increase or decrease in cash.

195) _____

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A) $61,000 increase.
B) $37,000 increase.
C) $7,000 decrease.
D) $7,000 increase.
E) $34,000 decrease.

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking

196) Charlie's Chocolates' owner made investments of $64,000 and withdrawals of $27,000. The company has revenues of $97,000 and expenses of $71,000. Calculate its net income.

196) _____

A) $37,000.
B) $97,000.
C) $71,000.
D) $26,000.
E) $63,000.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking
Type : Algorithmic

197) Charlie's Chocolates' owner made investments of $50,000 and withdrawals of $20,000. The company has revenues of $83,000 and expenses of $64,000. Calculate its net income.

197) _____

A) $30,000.
B) $83,000.
C) $64,000.
D) $19,000.
E) $49,000.

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AACSB : Analytical Thinking

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198) Savvy Sightseeing had beginning equity of $73,000; revenues of $93,000, expenses of $66,000, and withdrawals by owners of $9,100. Calculate the ending equity.

198) _____

A) $90,900.
B) $27,000.
C) $100,000.
D) $36,900.
E) $46,000.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking
Type : Algorithmic

199) Savvy Sightseeing had beginning equity of $72,000; revenues of $90,000, expenses of $65,000, and withdrawals by owners of $9,000. Calculate the ending equity.

199) _____

A) $88,000.
B) $25,000.
C) $97,000.
D) $38,000.
E) $47,000.

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Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

200) Doc's Ribhouse had beginning equity of $59,500; net income of $37,500, and withdrawals by the owner of $14,500. The owner made no investments during the year. Calculate the ending equity.

200) _____

A) $(7,500).
B) $36,500.
C) $7,500.
D) $111,500.
E) $82,500.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking
Type : Algorithmic

201) Doc's Ribhouse had beginning equity of $52,000; net income of $35,000, and withdrawals by the owner of $12,000. The owner made no investments during the year. Calculate the ending equity.

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201) _____

A) $(5,000).
B) $29,000.
C) $5,000.
D) $99,000.
E) $75,000.

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

202) A company's balance sheet shows: cash $31,000, accounts receivable $37,000, equipment $64,000, and equity $79,000. What is the amount of liabilities?

202) _____

A) $132,000.
B) $111,000.
C) $53,000.
D) $75,000.
E) $211,000.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking
Type : Algorithmic

203) A company's balance sheet shows: cash $24,000, accounts receivable $30,000, equipment $50,000, and equity $72,000. What is the amount of liabilities?

203) _____

A) $104,000.
B) $76,000.
C) $32,000.
D) $68,000.
E) $176,000.

Question Details
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

204) If a company has excess space in its building that it rents to another company for $700, what is the effect on the accounting equation during the first month?

204) _____

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A) Assets would decrease $700 and liabilities would decrease $700.
B) Assets would decrease $700 and equity would increase $700.
C) Assets would increase $700 and equity would decrease $700.
D) Assets would increase $700 and equity would increase $700.
E) Liabilities would decrease $700 and equity would increase $700.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking

205) Which of the following is a *not* an asset account?

205) _____

A) Accounts Receivable.
B) Supplies.
C) Equipment.
D) Accounts Payable.
E) Land.

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Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation

206) Which of the following accounts is *not* included in the calculation of a company's ending equity?

206) _____

A) Revenues.
B) Expenses.
C) Withdrawals.
D) Owner investments.
E) Accounts receivable.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Difficulty : 2 Medium
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember

207) Which of the following is *not* classified as a liability?

207) _____

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A) Accounts Receivable.
B) Notes Payable.
C) Wages Payable.
D) Accounts Payable.
E) Taxes Payable.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation

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

208) _____

A) Assets would decrease $80,000 and liabilities would decrease $80,000.
B) Assets would decrease $80,000 and equity would increase $80,000.
C) Assets would increase $80,000 and equity would decrease $80,000.
D) Assets would increase $80,000 and liabilities would increase $80,000.
E) Liabilities would decrease $80,000 and equity would increase $80,000.

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Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking

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

209) _____

A) An increase of $80,000.
B) A decrease of $80,000.
C) An increase of $30,000.
D) A decrease of $30,000.
E) An increase of $25,000.

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation
AACSB : Analytical Thinking

210) Which of the following is liability account?

210) _____

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A) Accounts Payable.
B) Accounts Receivable.
C) Cash.
D) Supplies.
E) Prepaid Insurance.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : The Accounting Equation

211) Grandmark Printing pays the current month's rent of $2,000 to the landlord of the building where its facilities are located. How does this transaction affect the accounting equation for Grandmark?

211) _____

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

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Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking

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

212) _____

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

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking

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

213) _____

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

Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking

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

214) _____

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

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Question Details
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Bloom's : Apply
AICPA : BB Industry
Difficulty : 2 Medium
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AACSB : Analytical Thinking

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

215) _____

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

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

216) _____

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

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

217) The revenue recognition principle:

217) _____

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

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Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

218) The full disclosure principle:

218) _____

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

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

219) The cost-benefit constraint:

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219) _____

A) Prescribes that accounting information is based on actual cost.
B) Provides guidance on when a company must recognize revenue.
C) Says that information disclosed by an entity must have benefits to the user that are greater than the costs of providing it.
D) Prescribes that a company record the expenses it incurred to generate the revenue reported.
E) Means that accounting information reflects a presumption that the business will continue operating instead of being closed or sold.

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

220) The going concern assumption:

220) _____

A) Means that accounting information presumes that the business will continue operating instead of being closed or sold.
B) Means that we can express transactions and events in monetary, or money, units.
C) Presumes that the life of a company can be divided into time periods, such as months and years, and that useful reports can be prepared for those periods.
D) Means that a business is accounted for separately from other business entities, including its owner.
E) Prescribes that a company record the expenses it incurred to generate the revenue reported.

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Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

221) The monetary unit assumption:

221) _____

A) Means that accounting information presumes that the business will continue operating instead of being closed or sold.
B) Means that transactions and events are expressed in monetary, or money, units.
C) Presumes that the life of a company can be divided into time periods, such as months and years, and that useful reports can be prepared for those periods.
D) Means that a business is accounted for separately from other business entities, including its owner.
E) Prescribes that a company record the expenses it incurred to generate the revenue reported.

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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222) The time period assumption:

222) _____

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

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

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

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

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

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

223) The business entity assumption:

223) _____

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

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

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

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

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

Question Details
AACSB : Communication
AICPA : FN Measurement
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
Topic : Generally Accepted Accounting Principles
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

224) Internal controls are:

224) _____

A) Beliefs that separate right from wrong.

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

C) An example of a general principle.

D) An example of a specific principle.

E) The same across all companies.

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Question Details
AACSB : Ethics
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Difficulty : 2 Medium
Bloom's : Understand
Topic : Generally Accepted Accounting Principles
AICPA : FN Reporting
AICPA : BB Legal
Topic : Ethics
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

225) _____

A) U.S. State Department.
B) Securities and Exchange Commission (SEC).
C) International Accounting Standards Board (IASB).
D) International Financial Reporting Standards (IFRS).
E) American Institute of Certified Public Accountants (AICPA).

Question Details
AACSB : Ethics
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
Difficulty : 3 Hard
Bloom's : Understand
Topic : Generally Accepted Accounting Principles
AICPA : FN Reporting
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

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

226) _____

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A) Cash.
B) Accounts receivable.
C) Supplies.
D) Land.
E) Services revenue.

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy

227) Which of the following accounts is *not* included in the asset section of the balance sheet?
227) _____

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

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy

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

228) _____

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

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy

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

229) _____

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

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Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy

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

230) _____

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

Question Details
AACSB : Communication
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Remember
Difficulty : 1 Easy

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Fundamental Accounting Principles 25th Edition by Wild CH01
Answer Key

Test name: CH01

1) TRUE
2) TRUE
3) TRUE
4) FALSE
5) TRUE
6) TRUE
7) TRUE
8) FALSE
9) TRUE
10) TRUE
11) TRUE
12) TRUE
13) TRUE
14) FALSE
15) FALSE
16) TRUE
17) FALSE
18) TRUE
19) TRUE
20) FALSE
21) FALSE
22) FALSE
23) FALSE
24) TRUE
25) TRUE

Fundamental Accounting Principles 25th edition Wild Test Bank

26) TRUE
27) FALSE
28) FALSE
29) TRUE
30) FALSE
31) TRUE
32) TRUE
33) FALSE
34) TRUE
35) TRUE
36) TRUE
37) FALSE
38) TRUE
39) FALSE
40) TRUE
41) FALSE
42) TRUE
43) FALSE
44) TRUE
45) FALSE
46) TRUE
47) FALSE
48) FALSE
49) TRUE
50) FALSE
51) FALSE
52) FALSE
53) FALSE
54) TRUE
55) TRUE

Fundamental Accounting Principles 25th edition Wild Test Bank

56) FALSE
57) TRUE
58) FALSE
59) TRUE
60) TRUE
61) FALSE
62) FALSE
63) TRUE
64) FALSE
65) TRUE
66) TRUE
67) D
68) C
69) B
70) B
71) C
72) E
73) D
74) C
75) A
76) B
77) B
78) B
79) A
80) B
81) B
82) C
83) B
84) C
85) A

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86) C
87) E
88) D
89) A
90) B
91) C
92) B
93) D
94) D
95) C
96) B
97) B
98) E
99) E
100) D
101) D
102) B
103) B
104) E
105) C
106) D
107) D
Assets = Liabilities + Owner's Equity
Assets = $200,000 + $420,000 = $620,000.
108) D
Assets = Liabilities + Owner's Equity
Assets = $192,000 + $300,000 = $492,000
109) A
Assets = Liabilities + Owner’s Equity
Equity = $319,000 − $190,000 = $129,000.

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110) A
Assets = Liabilities + Owner's Equity
Equity = $300,000 − $192,000 = $108,000
111) A
112) B
113) C
114) E
115) D
116) B
117) D
118) B
Assets = Liabilities + Owner's Equity
$111,000 = $38,000 + Owner's Equity; Owner's Equity = $73,000
119) B
Assets = Liabilities + Owner's Equity
$99,000 = $32,000 + Owner's Equity; Owner's Equity = $67,000
120) C
121) C
122) B
123) A
124) C
Assets = Liabilities + Owner's Equity
$716,000 = $208,000 + Owner's Equity (or Claims of the Owners);
Owner's Equity = $508,000
125) C
Assets = Liabilities + Owner's Equity
$700,000 = $200,000 + Owner's Equity (or Claims of the Owners);
Owner's Equity = $500,000
126) D

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Assets = Liabilities + Equity
Cash + Accounts Receivable + Supplies + Equipment = Accounts Payable + Equity
$21,000 + $7,350 + $700 + $12,100 = $9,400 + Equity
$41,150 = $9,400 + Equity; Equity = $31,750

127) D
Assets = Liabilities + Equity
Cash + Accounts Receivable + Supplies + Equipment = Accounts Payable + Equity
$20,500 + $7,250 + $650 + $12,000 = $9,300 + Equity
$40,400 = $9,300 + Equity; Equity = $31,100

128) B
Assets − Liabilities = Equity
Cash + Supplies + Equipment − Accounts Payable = Equity
$31,050 + $690 + $10,800 − $9,500 = $33,040

129) B
Assets − Liabilities = Equity
Cash + Supplies + Equipment − Accounts Payable = Equity
$30,000 + $600 + $10,000 − $8,500 = $32,100

130) B

131) C

132) B
Assets = Liabilities + Owner's Equity
Assets would decrease by $34,000 in Cash due to the payment of the accounts payable.
Liabilities would also decrease by $34,000 in Accounts Payable due to the payment of an obligation. There is no effect on Owner's Equity.

133) B

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Assets = Liabilities + Owner's Equity

Assets would decrease by $30,000 in Cash due to the payment of the accounts payable.

Liabilities would also decrease by $30,000 in Accounts Payable due to the payment of an obligation. There is no effect on Owner's Equity.

134) D

135) D

136) E

Assets = Liabilities + Owner's Equity

$624,000 = $262,000 + $362,000

Assets increase by $87,000 (Equipment) due to the purchase.

Liabilities also increase by $87,000 (Accounts Payable) due to the purchase on credit.

137) E

Assets = Liabilities + Owner's Equity

$600,000 = $250,000 + $350,000

Assets increase by $75,000 (Equipment) due to the purchase.

Liabilities also increase by $75,000 (Accounts Payable) due to the purchase on credit.

138) C

139) D

Assets = Liabilities + Owner's Equity

Change in Assets = Change in Liabilities + Change in Owner's Equity

Change in Assets = +$107,000 – $46,000

Change in Assets = Increase of $61,000

140) D

Assets = Liabilities + Owner's Equity

Change in Assets = Change in Liabilities + Change in Owner's Equity

Change in Assets = + $75,000 − $30,000

Change in Assets = Increase of $45,000

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141) A
Assets = Liabilities + Owner's Equity
Change in Assets = Change in Liabilities + Change in Owner's Equity
Increase of $121,000 = Increase of $83,000 + Change in Owner's Equity
Change in Owner's Equity = Increase of $38,000

142) A
Assets = Liabilities + Owner's Equity
Change in Assets = Change in Liabilities + Change in Owner's Equity
Increase of $89,000 = Increase of $67,000 + Change in Owner's Equity
Change in Owner's Equity = Increase of $22,000

143) A
Assets = Liabilities + Owner's Equity
Change in Assets = Change in Liabilities + Change in Owner's Equity
Change in Assets = +$82,000 – $23,000
Change in Assets = +$59,000

144) A
Assets = Liabilities + Owner's Equity
Change in Assets = Change in Liabilities + Change in Owner's Equity
Change in Assets = + $74,000 − $19,000
Change in Assets = + $55,000

145) C
Assets = Liabilities + Owner's Equity
Assets will decrease by $38,000 in Cash due to the payment of the debt.
Liabilities will decrease by $38,000 in Accounts payable due to the payment of the debt.
Owner's Equity would not be affected by this transaction.

146) B
Assets = Liabilities + Owner's Equity
$383,000 = Liabilities + $129,000
Liabilities = $254,000

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147) B
Assets = Liabilities + Owner's Equity
$365,000 = Liabilities + $120,000
Liabilities = $245,000
148) A
Return on Assets = Net Income/Average Total Assets
Return on Assets = $152 million/$1,810 million = 0.084 = 8.4%
149) A
Return on Assets = Net Income/Average Total Assets
Return on Assets = $240 million/$2,000 million = 0.12 = 12%
150) C
Return on Assets = Net Income/Average Total Assets
Return on Assets = $396 million/$2,120 million = 0.187 = 18.7%
151) C
Return on Assets = Net Income/Average Total Assets
Return on Assets = $160 million/$2,000 million = 0.08 = 8%
152) B
Return on Assets = Net Income/Average Total Assets
Return on Assets = $20,955/[($202,000 + $248,000)/2]
Return on Assets = $20,955/$225,000 = 0.093 = 9.3%
153) B
Return on Assets = Net Income/Average Total Assets
Return on Assets = $18,955/[($200,000 + $246,000)/2]
Return on Assets = $18,955/$223,000 = 0.085 = 8.5%
154) D
Return on Assets = Net Income/Average Assets
Return on Assets = $52,000/[($259,000 + $309,000)/2]
Return on Assets = $52,000/$284,000 = 0.183 = 18.3%
155) D

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Return on Assets = Net Income/Average Total Assets
Return on Assets = $42,900/[($250,000 + $300,000)/2]
Return on Assets = $42,900/$275,000 = 0.156 = 15.6%
156) C
157) C
158) D
159) E
160) B
161) D
162) C
163) A
164) B
165) E
166) E
167) A
168) C
169) C
Assets = Liabilities + Owner's Equity
Cash + Equipment + Buildings = Liabilities + Owner's Equity
$75,000 + $224,000 + $193,000 = $159,000 + Owner's Equity
$492,000 = $159,000 + Owner's Equity; Owner's Equity = $333,000
170) C
Assets = Liabilities + Owner's Equity
Cash + Equipment + Buildings = Liabilities + Owner's Equity
$57,000 + $206,000 + $175,000 = $141,000 + Owner's Equity
$438,000 = $141,000 + Owner's Equity; Owner's Equity = $297,000
171) E
Assets – Liabilities = Owner’s Equity
Cash + Buildings + Land – Liabilities = Owner’s Equity
$55,000 + $117,500 + $198,000 – $123,500 = $247,000

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172) E
Assets − Liabilities = Owner's Equity
Cash + Buildings + Land − Liabilities = Owner's Equity
$70,000 + $125,000 + $205,000 − $130,000 = $270,000
173) A
Net Income = Revenues − Expenses
Net Income = Consulting Revenue − Employee Salaries Expense − Interest Expense − Rent Expense
Net Income = $468,000 − $197,000 − $27,000 − $37,000; Net Income = $207,000
174) A
Net Income = Revenues − Expenses
Net Income = Consulting Revenue − Employee Salaries Expense − Interest Expense − Rent Expense
Net Income = $400,000 − $180,000 − $10,000 − $20,000; Net Income = $190,000
175) D
Revenues − Expenses = Net Income
Service Revenue − Rent Expense − Utilities Expense − Salaries Expense
$322,000 − $59,000 − $4,300 − $92,000 = $166,700
176) D
Revenues − Expenses = Net Income
Service Revenue − Rent Expense − Utilities Expense − Salaries Expense
$300,000 − $48,000 − $3,200 − $81,000 = $167,800
177) B
178) E
179) A

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Net Change in Cash = Cash Flows from Operating Activities + Cash Flows from Investing
Activities + Cash Flows from Financing Activities
Net Change in Cash = $67,500 + ($52,000) + $30,000; Net Change in Cash = $45,500

180) A

Net Change in Cash = Cash Flows from Operating Activities + Cash Flows from Investing Activities + Cash Flows from Financing Activities
Net Change in Cash = $60,500 + ($47,000) + $25,000; Net Change in Cash = $38,500

181) D

Ending Equity = Beginning Equity + Investments by Owners + Net Income − Withdrawals
Ending Equity = $287,000 + $21,000 + $66,000 − $55,000; Ending Equity = $319,000

182) D

Ending Equity = Beginning Equity + Investments by Owners + Net Income − Withdrawals
Ending Equity = $257,000 + $6,000 + $51,000 − $40,000; Ending Equity = $274,000

183) D

Beginning Equity + Investments by Owners + Net Income − Withdrawals = Ending Equity
$284,000 + $0 + $70,000 − $32,000 = $322,000

184) D

Beginning Equity + Investments by Owners + Net Income − Withdrawals = Ending Equity
$277,000 + $0 + $63,000 − $25,000 = $315,000

185) B

186) C

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Assets = Liabilities + Owner's Equity
Cash + Accounts Receivable + Office Equipment = Accounts Payable + Owner's Equity
$46,000 + $28,000 + $62,000 = $29,000 + Owner's Equity
$136,000 = $29,000 + Owner's Equity; Owner's Equity = $107,000

187) C
Assets = Liabilities + Owner's Equity
Cash + Accounts Receivable + Office Equipment = Accounts Payable + Owner's Equity
$22,000 + $16,000 + $50,000 = $17,000 + Owner's Equity
$88,000 = $17,000 + Owner's Equity; Owner's Equity = $71,000

188) E
Assets = Liabilities + Owner's Equity
Assets = $110,000 + (Beginning Equity + Revenues - Expenses)
Assets = $110,000 + ($181,000 + $246,000 - $183,000)
Assets = $110,000 + $244,000; Assets = $354,000

189) E
Assets = Liabilities + Owner's Equity
Assets = $92,000 + (Beginning Equity + Revenues − Expenses)
Assets = $92,000 + ($145,000 + $210,000 − $165,000)
Assets = $92,000 + $190,000; Assets = $282,000

190) B
Return on Assets = Net Income/Average Total Assets
Return on Assets = $18,000/[($201,000 + $301,000)/2]
Return on Assets = $18,000/$251,000 = 0.072 = 7.2%

191) B
Return on Assets = Net Income/Average Total Assets
Return on Assets = $17,500/[($200,000 + $300,000)/2]
Return on Assets = $17,500/$250,000 = 0.07 = 7.0%

192) A

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Return on Assets = Net Income/Average Total Assets
Return on Assets = (Revenues − Expenses)/Average Total Assets
Return on Assets = ($110,000 − $65,000)/[($415,000 + $465,000)/2]
Return on Assets = $45,000/$440,000 = 0.1023 = 10.2%

193) A

Return on Assets = Net Income/Average Total Assets
Return on Assets = (Revenues − Expenses)/Average Total Assets
Return on Assets = ($80,175 − $50,000)/[($400,000 + $450,000)/2]
Return on Assets = $30,175/$425,000 = 7.1%

194) C

Net Increase/(Decrease) in Cash = Cash Flows from Operating Activities + Cash Flows from Investing Activities + Cash Flows from Financing Activities
Net Increase/(Decrease) in Cash = $47,000 + ($42,000) + ($32,000)
Net Increase/(Decrease) in Cash = ($27,000)

195) C

Net Increase/(Decrease) in Cash = Cash Flows from Operating Activities + Cash Flows from Investing Activities + Cash Flows from Financing Activities
Net Increase/(Decrease) in Cash = $27,000 + ($22,000) + ($12,000)
Net Increase/(Decrease) in Cash = ($7,000)

196) D

Net Income = Revenues - Expenses
Net Income = $97,000 - $71,000; Net Income = $26,000

197) D

Net Income = Revenues − Expenses
Net Income = $83,000 − $64,000; Net Income = $19,000

198) A

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Ending Equity = Beginning Equity + Revenues - Expenses - Withdrawals by Owners
Ending Equity = $73,000 + $93,000 - $66,000 - $9,100
Ending Equity = $90,900

199) A
Ending Equity = Beginning Equity + Revenues − Expenses − Withdrawals by Owners
Ending Equity = $72,000 + $90,000 − $65,000 − $9,000
Ending Equity = $88,000

200) E
Ending Equity = Beginning Equity + Net Income − Withdrawals
Ending Equity = $59,500 + $37,500 − $14,500 = $82,500

201) E
Ending Equity = Beginning Equity + Net Income − Withdrawals
Ending Equity = $52,000 + $35,000 − $12,000 = $75,000

202) C
Assets − Equity = Liabilities
Cash + Accounts Receivable + Equipment − Equity = Liabilities
$31,000 + $37,000 + $64,000 − $79,000 = $53,000

203) C
Assets − Equity = Liabilities
Cash + Accounts Receivable + Equipment − Equity = Liabilities
$24,000 + $30,000 + $50,000 − $72,000 = $32,000

204) D
Assets and equity both increase at the time the rent is earned.

205) D

206) E

207) A

208) D

209) C

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210) A
211) B
212) B
213) E
214) C
215) D
216) A
217) B
218) C
219) C
220) A
221) B
222) C
223) D
224) B
225) B
226) E
227) B
228) A
229) D
230) B

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Fundamental Accounting Principles 25th Edition by Wild CH01C

ANSWERS ARE LOCATED AT THE END OF THIS DOCUMENT

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

1) The characteristics below apply to at least one of the forms of business organization.

a. Is a separate legal entity.
b. Is allowed to be owned by one person only.
c. Owner or owners are personally liable for debts of the business.
d. Is subject to an additional business income tax.
e. Has an unlimited life

Use the following format to indicate (with a "yes" or "no") whether or not a characteristic applies to each type of business organization.

	Proprietorship	Partnership	Corporation	LLC
a.				
b.				
c.				
d.				
e.				

Question Details
AACSB : Communication
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
Bloom's : Understand
Difficulty : 2 Medium
AICPA : FN Decision Making
Topic : Generally Accepted Accounting Principles
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

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2) A parcel of land is offered for sale at $600,000, is recognized by its purchasers as easily being worth $575,000, and is sold for $570,000. At what amount should the land be recorded in the purchaser's books? What accounting principle supports your answer?

Question Details
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
Bloom's : Understand
Difficulty : 2 Medium
Topic : Generally Accepted Accounting Principles
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AICPA : FN Measurement
AACSB : Analytical Thinking

3) You are reviewing the accounting records of Buddy's Foreign Automotive, owned by Bruce Jones. You have uncovered the following situations. List the appropriate accounting principle or assumption related to each independent scenario and suggest a correct action for each.

1. In August, a check for $500 was written to Community Sports. This amount represents soccer camp for his daughter Cassie.
2. Bruce plans a Going Out of Business Sale for June, since he will be closing the business for a month-long vacation in July. He plans to reopen August 1 and will continue operating Buddy's Foreign Automotive indefinitely.
3. Buddy received a shipment of tools from Ontario, Canada. The invoice was stated in Canadian dollars.
4. Customer Sandy Lane paid $1,500 to Buddy for a major repair service. The amount was recorded by Buddy as revenue. The parts for the repair must be ordered from overseas and the service won't be complete until the following month.

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Question Details
AICPA : BB Legal
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
Topic : Generally Accepted Accounting Principles
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 3 Hard

4) At the beginning of the year, a company had $120,000 worth of liabilities. During the year, assets increased by $160,000 and at year-end they equaled $360,000. Liabilities decreased $20,000 during the year. Calculate the beginning and ending values of equity.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Topic : The Accounting Equation
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.

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5) At the beginning of the period, a company had $350,000 worth of assets, $110,000 worth of liabilities, and $240,000 worth of equity. Assume the only change during the period was a $30,000 purchase of equipment by issuing a note payable. Show the accounting equation with the appropriate amounts at the end of the period.

Question Details
Difficulty : 2 Medium
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Apply
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis

6) The accounts of Odie Company had the following increases and decreases during the past year:

Account	Increase	Decrease
Cash	$ 25,000	
Accounts receivable		$ (5,000)
Accounts payable		(11,000)
Notes payable	16,000	

Except for net income, an investment of $3,000 by the owner, and a withdrawal of $11,000 by the owner, no other items affected owner′s equity. Compute net income for the past year.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis

7) The accounts of Mason Company at the end of the past year report the following amounts:

Accounts	**Amount**
Owner Withdrawals, G. Mason	$ 15,500
Revenues	$ 97,000
Expenses	$ 43,800
Owner investments	2,000

If the beginning equity for the year was $173,000, calculate the ending equity for Mason Company.

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Question Details
Difficulty : 2 Medium
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Apply
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements

8) Cornelia's Closet has the following account balances for the dates given:

	October 1	October 31
Cash	$ 40,000	60,000
Accounts Receivable	40,000	38,000
Accounts Payable	6,000	?

Also, its net income, for October 1 through October 31 was $20,000 and there were no investments or withdrawals by the owner. Determine the equity at both October 1 and October 31.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis

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9) If the liabilities of a company increased $92,000 during a period of time and equity in the business decreased $30,000 during the same period, did the assets of the company increase or decrease? By what amount?

Question Details
Difficulty : 2 Medium
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Apply
Topic : The Accounting Equation
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.

10) Soo Lin began an Internet Consulting practice and completed these transactions during April of the current year:

April 1	Invested $100,000 of her personal savings into a checking account opened in the name of the business.
April 2	Rented office space and paid $1,200 cash for the month of September.
April 3	Purchased office equipment for $30,000, paying $8,000 cash and agreeing to pay the balance in one year.
April 4	Purchased office supplies for $750 cash.
April 8	Completed work for a client and immediately collected $2,700 cash for the services.
April 15	Completed $3,600 services for a client on credit.
April 20	Received $3,600 from a client for the work completed on September 15.
April 30	Paid the office secretary's monthly salary, $3,000 cash.
April	Lin withdrew $2,000 for personal use.

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30

Show the effects of the above transactions on the components of the accounting equation. Use the following format for your answers. The first item is shown as an example.

Increase = I, Decrease = D, No effect = N

Date	Assets	Liabilities	Equity
Example:			
April 1	I	N	I

Question Details

Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis

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11) For each of the following transactions, identify the effects as reflected in the accounting equation. Use "+" to indicate an increase and "-" to indicate a decrease. Use "A", "L", and "E" to indicate assets, liabilities, and equity, respectively. Part A has been completed as an example.

a. L. Chester invested $100,000 in a sole proprietorship. +A +E

b. Land was purchased for $50,000 cash.

c. Services were rendered to customers for cash.

d. A building was purchased for cash.

e. Supplies were purchased for cash.

f. Paid the office secretary's salary.

g. The amount owed on the land from Part (b) was paid.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis

12) The following schedule reflects shows the first month's transactions of the Green Construction Company, owned by Jennifer Green:

	Cash	+	Accounts Receivable	+	Supplies	+	Equipment	=	Accounts Payable	+	J. Green Capital
1.	+ 20,000										+ 20,000

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2.	– 5,000			+ 5,000		
3.			+$ 1,500		+ 1,500	
4.	+ 3,000					+ 3,000
5.	+ 1,000	+ 1,500				+ 2,500
6.	– 750				– 750	
7.	+ 500	– 500				
8.			– 400			– 400
9.	– 2,000					– 2,000

Provide descriptions for each transaction.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 3 Hard
Topic : The Accounting Equation
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis

13) The accountant of Action Adventure Games prepared a balance sheet after every 10 day period. The only resources invested by the owner were at the start of the company on June 1. During June, the first month of operation, the following balance sheets were prepared:

ACTION ADVENTURE GAMES

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Balance Sheet
June 10

Assets		Equity	
Cash	$ 60,000	**Owner, Capital**	$ 60,000
Total assets	$ 60,000	**Total liabilities and equity**	$ 60,000

ACTION ADVENTURE GAMES
Balance Sheet
June 20

Assets		Liabilities	
Cash	$ 48,000	**Notes payable**	$ 18,000
Land	10,000	**Equity**	
Building	20,000	**Owner, Capital**	60,000
Total assets	$ 78,000	**Total liabilities and equity**	$ 78,000

ACTION ADVENTURE GAMES
Balance Sheet
June 30

Assets		Liabilities	
Cash	$ 51,000	**Accounts payable**	$ 2,000
Office supplies	2,000	**Notes payable**	18,000
Land	10,000	**Equity**	
Building	20,000	**Owner, Capital**	63,000
Total assets	$ 83,000	**Total liabilities and equity**	$ 83,000

Required: Describe the nature of each of the four transactions that took place between the balance sheet dates shown. Assume only one transaction affected each account.

June 10 _____
June 20 _____
June 30 _____
June 30 _____

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Topic : The Accounting Equation
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis

14) Compute the return on assets (ROA) for each of the following separate examples.

a. Net income equals $5,000; Average total assets equals $25,000.
b. Net income equals $1,200; Average total assets equals $12,000.
c. Net income equals $8,000; Average total assets equals $160,000.

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Question Details
Difficulty : 2 Medium
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Apply
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
AACSB : Reflective Thinking
AICPA : BB Critical Thinking
AICPA : FN Risk Analysis

15) Prepare an April 30 balance sheet for Two Rivers Vending Service from the following alphabetical list of the accounts at April 30:

Accounts receivable	$ 10,000
Accounts payable	18,000
Building	28,000
Cash	10,000
Notes payable	47,000
Office equipment	12,000
K. Fields, Capital	?
Trucks	55,000

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AACSB : Analytical Thinking
Difficulty : 3 Hard
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AICPA : FN Reporting
Bloom's : Create

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16) Prepare a December 31 balance sheet for Smokey River Supplies from the following list of the accounts:

Cash	$ 10,000
Accounts receivable	8,000
Supplies	12,000
Equipment	35,000
Land	18,000
Accounts payable	13,000
Notes payable	41,000
L. Marks, Capital	29,000

Question Details
Bloom's : Understand
Difficulty : 2 Medium
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AACSB : Analytical Thinking
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AICPA : FN Reporting

17) Prepare a December 31 balance sheet for Cane Property Management using the following accounts and amounts:

Accounts payable	3,500
Accounts receivable	5,000
M. Bruno, Capital	104,500
Office equipment	10,000
Advertising expense	3,200
Cash	7,500
Land	35,000
Note payable	50,000
Office supplies	1,500
Salaries expense	12,000
Salaries payable	1,000

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Building	100,000

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AACSB : Analytical Thinking
Difficulty : 3 Hard
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AICPA : FN Reporting
Bloom's : Create

18) From the information given below, prepare a November income statement, a November statement of owner′s equity, and a November 30 balance sheet. On November 1 of the current year, Victoria Garza began Garza Décor with an initial investment of $50,000 cash. On November 30, her records showed the following (alphabetically arranged) items and amounts.

Accounts payable	$ 12,000
Accounts receivable	19,000
Cash	21,200
Fee Revenue	34,000
Notes payable	4,250
Office furniture	$ 40,000
Owner′s withdrawals	6,000
Rent expense	9,600
Salaries expense	4,200
Telephone expense	250

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AACSB : Analytical Thinking
Difficulty : 3 Hard
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AICPA : FN Reporting
Bloom's : Create

19) Data for Kennedy Realty are as follows:

Total assets at January 1	$ 100,000
Total liabilities at January 1	35,000
Total revenues for the year	79,000
Total expenses for the year	47,000

The owner, Finn Kennedy, withdrew a total of $30,000 for personal use during the year. Using the above data, prepare Kennedy Realty's Statement of Owner's Equity for the year ended December 31.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AACSB : Analytical Thinking
Difficulty : 3 Hard
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AICPA : FN Reporting
Bloom's : Create

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20) Jet Styling has the following beginning cash balance and cash transactions for the month of January. Using this information prepare a statement of cash flows.

a. Beginning cash balance	$ 3,200
b. Cash investment by owner	15,000
c. Cash payment toward long-term loan	1,000
d. Cash payment of rent	1,800
e. Purchased equipment for cash	7,500
f. Purchased store supplies for cash	1,500
g. Cash collected from customers	7,750
h. Cash withdrawal by owner	2,000
i. Cash payment of wages	4,000

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AACSB : Analytical Thinking
Difficulty : 3 Hard
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AICPA : FN Reporting
Bloom's : Create

21) The records of Roadmaster Auto Rentals show the following information as of December 31. The owner, Rob Fletcher withdrew $52,000 during the year for personal expenses. Prepare a December income statement, a December statement of owner's equity, and a December 31 balance sheet.

Accounts payable	$ 36,000
Insurance expense	2,000
Accounts receivable	24,000
R Fletcher, Capital (January 1)	150,000
Buildings	150,000
Notes payable	47,000
Equipment	60,000

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Wages expense	$ 75,000
Advertising expense	22,000
Cash	11,000
Office Furniture	15,000
Maintenance expense	39,000
Revenues	217,000

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AACSB : Analytical Thinking
Difficulty : 3 Hard
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AICPA : FN Reporting
Bloom's : Create

22) Verity Siding Company, owned by S. Verity, began operations in May and completed the following transactions during that first month of operations. Show the effects of the transactions on the accounts of the accounting equation by recording increases and decreases in the appropriate columns in the table below. Do not determine new account balances after each transaction. Determine the final total for each account and verify that the equation is in balance.

May 1 S. Verity invested $90,000 cash in the company.

May 2 The company purchased $25,000 in office equipment. It paid $10,000 in cash and signed a note payable promising to pay the $15,000 in three years.

May 2 The company rented office space and paid $3,000 for the May rent.

May 6 The company installed new vinyl siding for a customer and immediately collected $5,000.

May 7 The company paid a supplier $2,000 for siding materials used on the May 6 job.

May 8 The company purchased a $2,500 copy machine for office use on credit.

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May 9 The company completed work for additional customers on credit in the amount of $16,000.

May 15 The company paid its employees' salaries $2,300 for the first half of the month.

May 17 The company installed new siding for a customer and immediately collected $2,400.

May 20 The company received $10,000 in payments from the customers billed on May 9.

May 28 The company paid $1,500 on the copy machine purchased on May 8. It will pay the remaining balance in June.

May 31 The company paid its employees' salaries $2,400 for the second half of the month.

May 31 The company paid a supplier $5,300 for siding materials used on the remaining jobs completed during May.

May 31 The company paid $450 for this month's utility bill.

VERITY SIDING COMPANY

Date	Assets =			Liabilities +		Equity			
	Cash	Accounts Receivable	Equipment	Accounts Payable	Notes Payable	S. Verity Capital	S. Verity Withdrawals	Revenues	Expenses
May 1									
May 2									
May 2									
May 6									
May 7									
May 8									
May									

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.
Topic : Transaction Analysis
AICPA : FN Reporting
Bloom's : Analyze

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Answer Key

Test name: CH01C

1)

	Proprietorship	Partnership	Corporation	LLC
a.	no	no	yes	yes
b.	yes	no	yes	yes
c.	yes	yes	no	no
d.	no	no	yes	no
e.	no	no	yes	yes

2) $570,000. The Measurement (Cost) principle requires the acquisition of an asset to be recorded in the accounting records at cost.

3) 1. Business entity assumption. Buddy should refund the $500 to the business or record it as a withdrawal. In the future, he should use a personal check to pay for soccer camp.
2. Going-concern assumption. Buddy's Foreign Automotive is not going out of business. The business is just closing for vacation. He could hold an appropriate sale to generate extra business before going on vacation.
3. Monetary unit assumption. Since Buddy's business is in the United States, the invoice should be restated in U.S. dollars for accounting purposes.
4. Revenue recognition principle. Since the service has not been completed, revenue should not be recognized. The $1,500 should be placed in an account such as Deposits Received from Customers (a type of unearned revenue) until the service is completed.

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4) Beginning equity = $80,000; Ending equity = $260,000

Beginning Assets = Beginning Liabilities + Beginning Equity
$200,000 = $120,000 + $80,000

Ending Assets = Ending Liabilities + Ending Equity
$360,000 = $100,000 + $260,000

5) $380,000 = $140,000 + $240,000

Ending assets = $350,000 + $30,000
Ending liabilities = $110,000 + $30,000
Ending equity = $240,000 (no change)

6) Assets = Liabilities + Owner's Equity
Assets Increased by $20,000; Liabilities Increased by $5,000; Therefore, Equity needs to Increase by $15,000.

Change in Equity = Owner Investment + Net Income − Withdrawals
Increase of $15,000 = $3,000 + Net Income − $11,000
$15,000 = Net Income − $8,000
Net Income = $23,000

7) Beginning Equity + Owner Investments − Owner Withdrawals + Revenues − Expenses = Ending Equity
$173,000 + $2,000 − $15,500 + $97,000 − $43,800 = $212,700

8) October 1 st Equity = $74,000; October 31 st Equity = $94,000

Total assets:

	October 1	October 31
Cash	$ 40,000	60,000
Accounts Receivable	40,000	38,000

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Total assets	$ 80,000	$ 98,000

At October 1:
Assets = Liabilities + Equity
$80,000 = $6,000 + Equity
Equity = $74,000

At October 31:

Equity, October 1	$ 74,000
Plus October net income	20,000
Equity, October 31	$ 94,000

At October 31:
Assets = Liabilities + Equity
$98,000 = Liabilities + $94,000
Liabilities = $4,000

9) Assets increased by $62,000.

Change in Assets = Change in Liabilities + Change in Equity
$62,000 = $92,000 − $30,000

10)

Date	**Assets**	**Liabilities**	**Equity**
April 1	I	N	I
April 2	D	N	D
April 3	I,D	I	N
April 4	I,D	N	N
April 8	I	N	I
April 15	I	N	I
April 20	I,D	N	N
April 30	D	N	D
April 30	D	N	D

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11) a. +A +E
b. +A −A
c. +A +E
d. +A −A
e. +A −A
f. −A −E
g. −A −L

12) 1. Investment of cash in business by owner *or* performed services for cash.
2. Purchased equipment for cash.
3. Purchased supplies on credit.
4. Performed services for cash *or* investment of cash in business by owner.
5. Performed services for both cash and on credit.
6. Paid accounts payable.
7. Received cash for an account receivable.
8. Used supplies in business.
9. Withdrawal of cash from business by owner for personal use *or* paid expense of business.

13)

June 10	The owner invested $60,000 cash in the company.
June 20	Land and building were purchased for $12,000 cash and an $18,000 note payable.
June 30	Office supplies were purchased for $2,000 on account.
June 30	Cash was received for $3,000 of services provided.

14) a. 20%
b. 10%
c. 5%

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15)

TWO RIVERS VENDING SERVICE
Balance Sheet
April 30

Assets		Liabilities	
Cash	$ 10,000	**Accounts payable**	$ 18,000
Accounts receivable	10,000	**Notes payable**	47,000
Office equipment	12,000	**Total liabilities**	$ 65,000
Building	28,000	**Equity**	
Trucks	55,000	**K. Fields, Capital**	50,000
Total assets	$ 115,000	**Total liabilities and equity**	$ 115,000

16)

SMOKEY RIVER SUPPLIES
Balance Sheet
December 31

Assets		Liabilities	
Cash	$ 10,000	**Accounts payable**	$ 13,000
Accounts receivable	8,000	**Notes payable**	41,000
Supplies	12,000	**Total liabilities**	$ 54,000
Equipment	35,000	**Equity**	
Land	18,000	**L. Marks, Capital**	29,000
Total assets	$ 83,000	**Total liabilities and equity**	$ 83,000

17)

CANE PROPERTY MANAGEMENT
Balance Sheet
December 31

Assets		Liabilities	
Cash	$ 7,500	**Accounts payable**	$ 3,500
Accounts receivable	5,000	**Salaries payable**	1,000
Office supplies	1,500	**Note payable**	50,000

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Land	35,000	**Total liabilities**	$ 54,500
Building	100,000	**Equity**	
Office equipment	10,000	**M. Bruno, Capital**	104,500
Total assets	$ 159,000	**Total liabilities and equity**	$ 159,000

18)

GARZA DÉCOR
Income Statement
For Month Ended November 30

Revenue:		
Fee Revenue		$ 34,000
Operating expenses:		
Rent expense	$ 9,600	
Salaries expense	4,200	
Telephone expense	250	14,050
Net income		$ 19,950

GARZA DÉCOR
Statement of Owner's Equity
For Month Ended November 30

V. Garza, Capital, November 1		$ 0
Plus: Investments by owner	$ 50,000	
Net income	19,950	69,950
		69,950
Less withdrawals by owner		(6,000)
V. Garza, Capital, November 30		$ 63,950

GARZA DÉCOR
Balance Sheet
November 30

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Assets		Liabilities	
Cash	$ 21,200	**Accounts payable**	$ 12,000
Accounts receivable	19,000	**Notes payable**	4,250
Office furniture	40,000	**Total liabilities**	$ 16,250
		Equity	
		V, Garza, Capital	63,950
Total assets	$ 80,200	**Total liabilities and equity**	$ 80,200

19)

KENNEDY REALTY
Statement of Owner's Equity
For year Ended December 31

Finn Kennedy, Capital, January 1*	$ 65,000*
Plus: Net income	32,000
	$ 97,000
Less: Withdrawals by owner	(30,000)
Finn Kennedy, Capital, December 31	$ 67,000
***Total assets at January 1**	$ 100,000
Less total liabilities at January 1	35,000
Total owner's equity at January 1	$ 65,000

20)

Jet Styling
Statement of Cash Flows
For Month Ended January 31

Cash flows from operating activities:		
Cash collected from customers	$ 7,750	
Cash paid for supplies	(1,500)	
Cash paid for rent	(1,800)	
Cash paid for wages	(4,000)	
Net cash provided by operating activities		$ 450

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Cash flows from investing activities:		
Purchase of equipment	(7,500)	
Net cash used by investing activities		(7,500)
Cash flows from financing activities:		
Investment by owner	15,000	
Withdrawal by owner	(2,000)	
Payment of loan	(1,000)	
Net cash provided by financing activities		12,000
Net increase in cash		$ 4,950
Beginning cash balance		3,200
Ending cash balance		$ 8,150

21)

ROADMASTER AUTO RENTALS
Income Statement
For Year Ended December 31

Revenues		$ 217,000
Expenses:		
Insurance expense	$ 2,000	
Wages expense	75,000	
Advertising expense	22,000	
Maintenance expense	39,000	
Total expenses		138,000
Net income		$ 79,000

ROADMASTER AUTO RENTALS
Statement of Owner's Equity

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For Year Ended December 31

R. Fletcher, Capital, January 1	$ 150,000
Add: Net income	79,000
Less: Withdrawals	(52,000)
R. Fletcher, Capital, December 31	$ 177,000

ROADMASTER AUTO RENTALS
Balance Sheet
December 31

Assets		**Liabilities**	
Cash	$ 11,000	**Accounts payable**	$ 36,000
Accounts receivable	24,000	**Notes payable**	47,000
Buildings	150,000	**Total liabilities**	$ 83,000
Equipment	60,000	**Equity**	
Office furniture	15,000	**R. Fletcher, Capital**	177,000
Total assets	$ 260,000	**Total liabilities and equity**	$ 260,000

22)

Date	**Assets = Cash**	**Accounts Receivable**	**Equipment**	**Liabilities + Accounts Payable**	**Notes Payable**	**S. Verity Capital**	**S. Verity Withdrawals**	**Equity Revenues**	**Expenses**
May 1	90,000					90,000			
May 2	(10,000)		25,000		15,000				
May 2	(3,000)								(3,000)
May 6	5,000							5,000	
May	(2,000)								(2,000)

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7									
May 8			2,500	2,500					
May 9		16,000						16,000	
May 15	(2,300)								(2,300)
May 17	2,400							2,400	
May 20	10,000	(10,000)							
May 28	(1,500)			(1,500)					
May 31	(2,400)								(2,400)
May 31	(5,300)								(5,300)
May 31	(450)								(450)
	80,450	6,000	27,500	1,000	15,000	90,000	-	23,400	(15,450)

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ANSWERS ARE LOCATED AT THE END OF THIS DOCUMENT

FILL IN THE BLANK. Write the word or phrase that best completes each statement or answers the question.

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

1) _____

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 1 Easy
Topic : Importance of Accounting
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

2) A _____ is a business that is owned by only one person who has unlimited liability.

2) _____

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Legal
Difficulty : 1 Easy
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
AICPA : FN Decision Making
Topic : Generally Accepted Accounting Principles
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

3) _____ users of accounting information do not directly run an organization and have limited access to its accounting information.

3) _____

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Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 1 Easy
Topic : Users of Accounting Information
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

4) _____ is the area of accounting that focuses on the needs of external users by providing them with general-purpose financial statements.

4) _____

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 1 Easy
Topic : Users of Accounting Information
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

5) _____ are procedures to protect assets, ensure reliable accounting, promote efficiency, and uphold company policies.

5) _____

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Question Details
AACSB : Communication
AACSB : Ethics
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Reporting
Difficulty : 1 Easy
Topic : Ethics
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

6) _____ are beliefs that separate right from wrong and are considered accepted standards of good and bad behavior.

6) _____

Question Details
AACSB : Communication
AACSB : Ethics
Bloom's : Remember
AICPA : BB Industry
Difficulty : 1 Easy
Topic : Ethics
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
AICPA : FN Decision Making
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

7) The assumption that requires that a business be accounted for separately from other business entities and its owner(s) is the _____ assumption.

7) _____

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Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 1 Easy
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
Topic : Generally Accepted Accounting Principles
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

8) The _____ assumption assumes that a business will continue operating instead of being closed or sold.

8) _____

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
Difficulty : 1 Easy
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
AICPA : FN Measurement
Topic : Generally Accepted Accounting Principles
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

9) The _____ assumption states that transactions and events are expressed in monetary, or money, units.

9) _____

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Fundamental Accounting Principles 25th Edition by Wild CH01B

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
Difficulty : 1 Easy
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
AICPA : FN Measurement
Topic : Generally Accepted Accounting Principles
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

10) The principle that requires that accounting information be based on actual cost is the _____.

10) _____

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
Difficulty : 1 Easy
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
AICPA : FN Measurement
Topic : Generally Accepted Accounting Principles
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

11) A disadvantage of a sole proprietorship is the fact that the owner has _____ for business debts and actions.

11) _____

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Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Legal
Difficulty : 1 Easy
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
AICPA : FN Decision Making
Topic : Generally Accepted Accounting Principles
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

12) There are three sections of the statement of cash flows _____ activities involve the long-term borrowing and repaying of cash from lenders.

12) _____

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 1 Easy
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

13) There are three sections of the statement of cash flows. _____ activities involve buying and selling assets such as land and equipment that are held for long-term use.

13) _____

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Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 1 Easy
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

14) There are three sections of the statement of cash flows. _____ activities include payments for salaries, insurance, and rent.

14) _____

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 1 Easy
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

15) Outflows of cash and other assets for personal use are called _____.

15) _____

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Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 1 Easy
Topic : The Accounting Equation
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

16) _____ are the increases in equity from a company's sales of products and services to customers.

16) _____

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 1 Easy
Topic : The Accounting Equation
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

17) A common characteristic of _____ is the expectation that they will yield future benefits.

17) _____

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Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 2 Medium
Topic : The Accounting Equation
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

18) Creditors' claims on assets that reflect company obligations to provide assets, products, or services to others are called _____.

18) _____

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 1 Easy
Topic : The Accounting Equation
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

19) The owner's claim on assets, also known as net assets, is called _____.

19) _____

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Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 1 Easy
Topic : The Accounting Equation
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

20) The accounting equation is _____.

20) _____

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 1 Easy
Topic : The Accounting Equation
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

21) The term _____ refers to a liability that promises a future outflow of resources.

21) _____

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Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 1 Easy
Topic : The Accounting Equation
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

22) Using the accounting equation, equity is equal to _____.

22) _____

Question Details
AACSB : Communication
AICPA : BB Industry
AICPA : FN Reporting
Bloom's : Understand
Difficulty : 2 Medium
Topic : The Accounting Equation
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

23) _____, is the recording of transactions and events.

23) _____

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Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 1 Easy
Topic : Importance of Accounting
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

24) _____ is net income divided by average total assets.

24) _____

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 1 Easy
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

25) Return on assets is_____ divided by average total assets.

25) _____

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
Difficulty : 1 Easy
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
AICPA : FN Risk Analysis
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

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26) _____ reports changes in the owner's claim on the business's assets from net income or loss, owner investments, and owner withdrawals over a period of time.

26) _____

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 1 Easy
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

27) The _____ describes a company's revenues and expenses along with the resulting net income or net loss over a period of time due to earnings activities.

27) _____

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 1 Easy
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

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

28) Explain the role of accounting in the information age.

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Question Details
AACSB : Communication
AICPA : BB Industry
AICPA : FN Reporting
Topic : Importance of Accounting
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.
Bloom's : Understand
AACSB : Technology
Difficulty : 2 Medium
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

29) What is the balance sheet? What is its purpose?

Question Details
AACSB : Communication
AICPA : BB Industry
AICPA : FN Reporting
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

30) Identify the users and uses of accounting information.

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Question Details
AACSB : Communication
AICPA : BB Industry
Topic : Users of Accounting Information
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.
Bloom's : Understand
Difficulty : 2 Medium
AICPA : FN Decision Making
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

31) Identify several opportunities in accounting and distinguish between private accounting and public accounting.

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
Topic : Users of Accounting Information
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.
Difficulty : 2 Medium
AICPA : FN Decision Making
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

32) Explain why ethics are an integral part of accounting.

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Question Details
AACSB : Communication
AACSB : Ethics
AICPA : BB Industry
Topic : Ethics
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
Bloom's : Understand
Difficulty : 2 Medium
AICPA : FN Decision Making
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

33) Describe the two important guidelines for revenue recognition.

Question Details
AACSB : Communication
AICPA : BB Industry
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
Bloom's : Understand
Difficulty : 2 Medium
AICPA : FN Measurement
Topic : Generally Accepted Accounting Principles
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

34) Identify the four basic forms of business organizations and their key attributes.

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Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
Difficulty : 2 Medium
Topic : Generally Accepted Accounting Principles
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
AICPA : FN Legal
Type : Static

35) Identify and describe the two main groups involved in establishing generally accepted accounting principles.

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Legal
AICPA : FN Reporting
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
Difficulty : 2 Medium
Topic : Generally Accepted Accounting Principles
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

36) How does the going-concern assumption affect reporting asset values of a business?

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Question Details
AACSB : Communication
AICPA : BB Industry
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
Bloom's : Understand
Difficulty : 2 Medium
AICPA : FN Measurement
Topic : Generally Accepted Accounting Principles
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

37) Describe the income statement and the relation between revenues, expenses, and net income or loss.

Question Details
AACSB : Communication
AICPA : BB Industry
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AICPA : FN Measurement
Topic : The Accounting Equation
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

38) Explain the accounting equation and define its terms.

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
AICPA : BB Industry
Bloom's : Understand
Difficulty : 2 Medium
AICPA : FN Measurement
Topic : The Accounting Equation
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

39) What distinguishes liabilities from equity?

Question Details
AACSB : Communication
AICPA : BB Industry
Bloom's : Understand
Difficulty : 2 Medium
AICPA : FN Measurement
Topic : The Accounting Equation
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

40) What is the purpose of return on assets as an analytical tool?

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Question Details
AACSB : Communication
AICPA : BB Industry
Bloom's : Understand
Difficulty : 2 Medium
AICPA : FN Measurement
Topic : The Accounting Equation
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
AICPA : BB Resource Management
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

41) Explain the cost-benefit constraint.

Question Details
AACSB : Communication
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
Bloom's : Understand
Difficulty : 2 Medium
Topic : Generally Accepted Accounting Principles
AACSB : Reflective Thinking
AICPA : BB Critical Thinking
AICPA : FN Risk Analysis
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

42) Describe the three types of activities reported on the statement of cash flows.

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Question Details
AACSB : Communication
AICPA : BB Industry
AICPA : FN Reporting
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

43) Identify and describe the four basic financial statements:

Question Details
AACSB : Communication
AICPA : BB Industry
AICPA : FN Reporting
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

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ESSAY. Write your answer in the space provided or on a separate sheet of paper.

44) Match the following terms with the appropriate definition.

a. Financial accounting
b. Ethics
c. Recordkeeping
d. Internal users
e. Accounting
f. Certified Public Accountant (CPA)
g. Fraud triangle
h. Managerial accounting
i. External users

___ 1. An information and measurement system that identifies, records, and communicates an organization's business activities.
___ 2. The part of accounting that involves recording transactions and events.
___ 3. Persons using accounting information who do not directly run the organization and have limited access to its accounting information.
___ 4. Persons using accounting information who directly manage the organization.
___ 5. The area of accounting that serves the decision-making needs of internal users.
___ 6. The area of accounting focused on serving external users by providing them with general-purpose financial statements.
___ 7. Accounting specialists that have met educational and experience requirements, passed an examination and exhibit ethical characteristics to achieve a professional certification.
___ 8. Beliefs that distinguish right from wrong, considered accepted standards of good and bad behavior.
___ 9. A model that shows three factors that push a person to commit fraud.

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Question Details
AACSB : Communication
AACSB : Ethics
Bloom's : Remember
AICPA : BB Industry
AICPA : BB Legal
AICPA : FN Reporting
Difficulty : 1 Easy
Topic : Importance of Accounting
Topic : Users of Accounting Information
Topic : Ethics
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

45) Match each of the following terms with the most appropriate definition.

a. Return on assets
b. Assets
c. Expenses
d. Liabilities
e. Owner withdrawals
f. Accounting equation
g. Owner capital

____ 1. Resources such as cash that an owner puts into the company.
____ 2. A financial ratio computed as net income divided by average total assets.
____ 3. Creditor's claims on a company's assets.
____ 4. Decreases in equity from costs of providing products or services to customers.
____ 5. Outflows of cash and other assets to owners for personal use.
____ 6. Resources a company owns or controls that are expected to yield future benefit.
____ 7. Expresses the relation of assets, liabilities and equity in a company.

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Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : BB Legal
AICPA : FN Reporting
Difficulty : 1 Easy
Topic : The Accounting Equation
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Learning Objective : 01-A2 Compute and interpret return on assets.
Topic : Return on Assets
AICPA : FN Risk Analysis
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

46) The following is a list of selected users of accounting information. Match the appropriate user to the following decisions they make with accounting information.

a. Suppliers
b. Lenders
c. Shareholders
d. Purchasing managers
e. Regulators

____ 1. Need to know what, when, and how much to purchase.
____ 2. Use information to analyze a customer before extending credit.
____ 3. Have legal authority over certain activities of an organization.
____ 4. Assess whether an organization is likely to repay its loans with interest.
____ 5. Decide whether to buy, hold, or sell a company's stock.

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Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : BB Legal
AICPA : FN Reporting
Difficulty : 1 Easy
Topic : Users of Accounting Information
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.
AICPA : FN Risk Analysis
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

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47) Match the following definitions with terms 1 through 8. Place the letter that identifies the best definition in the blank space next to the term.

____ 1. Generally accepted accounting principles
____ 2. Time period assumption
____ 3. Statement of owner's equity
____ 4. Balance sheet
____ 5. Income statement
____ 6. Measurement (Cost) principle
____ 7. Securities and Exchange Commission
____ 8. FASB
____ 9. Full disclosure principle
____ 10. Statement of cash flows

a. Prescribes that assets and services to be recorded initially on a cash or equal-to-cash basis.
b. Describes a company's revenues and expenses and computes net income or loss over a period of time.
c. Is given the task of setting generally accepted accounting principles from the Securities and Exchange Commission.
d. Presumes that the life of a company can be divided into periods for reporting purposes.
e. The concepts and rules that govern financial accounting.
f. A financial statement that reports the changes in equity over the reporting period, including increases such as owner investment and net income and for decreases such as owner withdrawals or net loss.
g. A report that identifies cash inflows (receipts) and cash outflows (payments) over a period of time.
h. Prescribes that a company report the details behind financial statements that would impact user decisions.
i. The governmental agency that oversees the proper use of GAAP by companies that sell stock and debt to the public.
j. A report that describes a company's financial position at a point in time.

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Fundamental Accounting Principles 25th Edition by Wild CH01B

Question Details
AACSB : Communication
Bloom's : Remember
AICPA : BB Industry
AICPA : BB Legal
AICPA : FN Reporting
Difficulty : 1 Easy
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AICPA : FN Measurement
Topic : Generally Accepted Accounting Principles
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

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Fundamental Accounting Principles 25th Edition by Wild CH01B

48) Match the following definitions with the terms 1 through 9. Place the letter that identifies the best definition in the blank space next to the term.

____ 1. Statement of cash flows
____ 2. Events
____ 3. Monetary unit assumption
____ 4. Business entity assumption
____ 5. Revenue recognition principle
____ 6. Accounting equation
____ 7. Income statement
____ 8. Expenses
____ 9. Liabilities

a. The relation between a company's assets, liabilities, and equity.
b. Happenings that effect the accounting equation and are reliably measured.
c. The assumption that transactions and events are expressed in monetary, or money, units.
d. Describes a company's revenues and expenses and computes net income or loss over a period of time.
e. A financial statement that lists cash inflows (receipts) and cash outflows (payments); the cash flows are arranged by operating, investing, and financing activities.
f. Creditor's claims on assets.
g. The cost of providing products and services to customers.
h. The assumption that requires a business to be accounted for separately from other business entities and from its owners.
i. Revenue is recorded when goods and services are provided to customers and at the amount expected to be received from customers.

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Question Details
AACSB : Communication
AICPA : BB Industry
AICPA : BB Legal
AICPA : FN Reporting
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
AICPA : FN Measurement
Topic : Generally Accepted Accounting Principles
Topic : The Accounting Equation
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Topic : Business Activities and the Accounting Equation
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

49) Identify each of the following items 1 through 8 as belonging to category a, b, or c.

a. Assets
b. Liabilities
c. Equity

____ 1. Cash
____ 2. Supplies
____ 3. Wages payable
____ 4. Owner capital
____ 5. Accounts receivable
____ 6. Owner withdrawals
____ 7. Accounts payable
____ 8. Notes payable

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Question Details
AACSB : Communication
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 2 Medium
Topic : The Accounting Equation
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.
Bloom's : Apply
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

50) Match each of the following items 1 through 8 with the financial statement a through d in which each item would most likely appear. An item may appear on more than one statement.

a. Income statement
b. Statement of owner's equity
c. Balance sheet
d. Statement of cash flows

_____ 1. Assets.
_____ 2. Withdrawals.
_____ 3. Revenues.
_____ 4. Cash from investing activities.
_____ 5. Expenses.
_____ 6. Liabilities.
_____ 7. Cash from operating activities.
_____ 8. Cash from financing activities.

Fundamental Accounting Principles 25th edition Wild Test Bank

Question Details
AACSB : Communication
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Apply
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

51) Classify the following activities in the appropriate section of the statement of cash flows.

a. Operating activity
b. Investing activity
c. Financing activity

____ 1. Cash received from clients.
____ 2. Cash paid for machinery.
____ 3. Cash paid for insurance expense.
____ 4. Cash paid for equipment.
____ 5. Cash paid for wages expense.

Question Details
AACSB : Communication
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter
Topic : Financial Statements
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static

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Answer Key

Test name: CH01B

1) Accounting
2) Sole proprietorship
3) External
4) Financial accounting
5) Internal controls
6) Ethics
7) business entity
8) going-concern
9) monetary unit
10) Measurement (Cost) principle
11) unlimited liability
12) Financing
13) Investing
14) Operating
15) withdrawals
16) Revenues
17) assets
18) liabilities
19) equity
20) Assets = Liabilities + Owner's Equity
21) payable
22) assets minus liabilities
23) Record-keeping or Book keeping
24) Return on assets
25) net income

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26) The statement of owner's equity

27) income statement

28) Accounting is an information and measurement system. It identifies, records, and communicates relevant, reliable and comparable information about business activities. Accounting also includes the crucial process of analysis and interpretation. It is part of our everyday lives, through such activities as banking, paying taxes, and receiving payroll checks. Technology plays a major role in accounting by reducing the time effort and cost or recordkeeping while improving clerical accuracy.

29) The balance sheet is one of the four required financial statements a company prepares periodically. It describes a company's financial position by listing the types and amounts of assets, liabilities, and equity of a business at a specified point in time. The statement's purpose is to provide information that helps users assess the financial condition of the business.

30) There are two general types of users of accounting information. Internal users are managers and officers of businesses. They require information about business activities in order to make decisions about planning, monitoring, and control. External users rely on financial statements to make business decisions. These users include lenders, and shareholders. Lenders need information for measuring the risk and return of loans. Shareholders need information for assessing the risk and return in owning shares.

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31) The four broad areas of accounting are financial accounting, managerial accounting, taxation and other accounting related employment. The majority of the employment opportunities are in private accounting where employees work for businesses. Private sector jobs would include general accounting, taxation, budgeting, and cost accounting activities. Public accounting offers opportunities to perform work such as auditing, tax services, and consulting.

32) The purpose of accounting is to provide useful information for decision makers. For information to be useful, it must be trusted. This requires ethical behavior by accountants and managers in all phases of gathering, analyzing and reporting financial information so that good decisions are made.

33) The two important guidelines for revenue recognition include: Revenue is recognized (1) when goods or services are provided to customers and (2) at the amount expected to be received from the customer. Assets received from selling products and services do not need to be in cash. Revenue recognized is measured by cash received plus the cash equivalent of other assets received.

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34) The four basic forms of business organizations are sole proprietorships, partnerships, corporations, and limited liability companies (LLC). Sole proprietorships are businesses owned by one person. They are separate entities for accounting purposes, but are not separate from the owner legally or for tax purposes. Partnerships are businesses owned by two or more people who are jointly liable for tax and other obligations. Corporations are businesses legally separate from their owners, making them responsible for their own acts and own debts. They conduct business with the rights, duties and responsibilities of a person. Limited liability companies owned by one or more 'members'. LLCs are legally separate from their owners, the owners have limited liability and do not pay taxes.

35) The Financial Accounting Standards Board (FASB) is the private-sector group that has been delegated the task to set both the broad and specific principles of GAAP. The Securities and Exchange Commission (SEC) is a government agency that has the legal authority to set GAAP and oversees proper use of GAAP by companies that issue stock and debt to the public.

36) The going-concern assumption means that financial statements reflect an assumption that the business continues in operation instead of being closed or sold. Assets are therefore reported at cost rather than at liquidation value.

37) The income statement describes a company's revenues and expenses along with the resulting net income or loss over a period of time due to earnings activities. Revenues are the increases in equity from sales of products and services to customers. Expenses are the costs of providing products and services to customers. When revenues exceed expenses, net income occurs. When expenses exceed revenues, a net loss occurs.

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38) The accounting equation is stated as: Assets = Liabilities + Equity. Assets are resources owned or controlled by a business that are expected to provide future benefit. Creditors' claims on assets are called liabilities. The owner's claim on assets is called equity. The accounting equation shows that the resources (assets) of the business equal the source of funds to acquire and the claims against those resources.

39) Liabilities are creditors' claims on assets. They reflect obligations to transfer assets or provide products or services to others in a future outflow of resources. Equity is owner's claim to assets. It includes the investments of the owner and what the company earns on the owner's behalf. Equity is also called net assets or residual interest.

40) Return on assets is useful in evaluating management, analyzing and forecasting profits, and planning activities. It shows the effectiveness of using assets to earn profit.

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

42) The three types of activities reported in the statement of cash flows are (1) operating, which involve using cash to research, develop, purchase, produce, distribute, and market products and services as well as receiving cash from selling products and services; (2) financing, which are the cash inflows and cash outflows related to owner investments and withdrawal and long-term borrowing and repaying cash from lending and (3) investing, which represent the cash inflows and outflows from the purchase and sale of long-term assets.

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43) The four basic financial statements are the balance sheet, income statement, statement of owner's equity, and statement of cash flows. The balance sheet describes the company's financial position and lists the types and amounts of assets, liabilities, and equity at a point in time. The income statement describes the company's revenues, expenses, and net income over a period of time. The statement of owner's equity explains changes in equity from net income or loss, and from owner investments and withdrawals over a period of time. The statement of cash flows reports on cash flows for operating, investing, and financing activities over a period of time.

44) 1. E; 2. C; 3. I; 4. D; 5. H; 6. A; 7. F; 8. B; 9. G
45) 1. G; 2. A; 3. D; 4. C; 5. E; 6. B; 7. F
46) 1. D; 2. A; 3. E; 4. B; 5. C
47) 1. E; 2. D; 3. F; 4. J; 5. B; 6. A; 7. I; 8. C; 9. H; 10. G
48) 1. E; 2. B; 3. C; 4. H; 5. I; 6. A; 7. D; 8. G; 9. F
49) 1. A ; 2. A ; 3. B ; 4. C ; 5. A ; 6. C ; 7. B ; 8. B
50) 1. C; 2. B; 3. A; 4. D; 5. A; 6. C; 7. D; 8. D
51) 1. A; 2. B; 3. A; 4. B; 5. A

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