Fundamentals of Financial Accounting 7th edition Phillips Test Bank

SKU: 9781260771381-TEST-BANK

Fundamentals of Financial Accounting 7th Edition by Phillips CH01

ANSWERS ARE LOCATED AT THE END OF THIS DOCUMENT

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

1) Choose the appropriate letter to match the characteristics with the type of company. A given characteristic may match more than one type of company.

CHARACTERISTIC

1. _____ Issues shares of stock that are traded on a stock exchange such as the NYSE
2. _____ The owner(s) of the business are personally liable for the debts of the company
3. _____ Shares of stock must be purchased directly from current owners and not sold on an exchange
4. _____ Can raise more financial capital by selling stock to the greatest number of investors
5. _____ The easiest form of business to start
6. _____ The business ceases to exist upon the departure of one of the owners
7. _____ The owner(s) pay taxes on the profits of the business

TYPE OF COMPANY

A. Partnership
B. Publicly traded corporation
C. Privately traded corporation
D. Sole Proprietorship

Question Details
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Analyze
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
Accessibility : Screen Reader Compatible
Bloom's : Understand
Topic : Organizational Forms
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
AICPA : BB Legal
Source : Exclude LearnSmart

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01

2) Match the business activity to the appropriate category.

The purchase of a new line of assembly equipment

Company payment of a dividend

The purchase of office supplies

The purchase of an online advertising slot time by the company

The building of a new factory facility

Company repayment of the principal amount of a bank loan

A) Financing activity
B) Operating activity
C) Investing activity

Question Details
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
Accessibility : Screen Reader Compatible
Bloom's : Understand
Source : Exclude LearnSmart

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01

3) Choose the appropriate letter to match the terms to the blanks below to complete the relevant equation for each financial statement.

FINANCIAL STATEMENT EQUATION
Balance Sheet _____ = _____ + _____
Income Statement _____ = _____ − _____
Statement of Retained Earnings _____ = _____ + _____ − _____
Statement of Cash Flows _____ = _____ + _____ + ____ + _____
TERM
A. Cash at beginning of year
B. Net cash flow from operating activities
C. Balance of retained earnings from previous year
D. Net cash flow from investing activities
E. Liabilities
F. Net cash flow from financing activities
G. Balance of retained earnings at end of year
H. Net income
I. Revenue
J. Assets
K. Stockholders' equity
L. Expenses
M. Cash at end of year
N. Dividends paid

Question Details
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Bloom's : Create
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Type : Static
Gradable : manual
Accessibility : Screen Reader Compatible
Bloom's : Apply
Source : Exclude LearnSmart

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

4) Each line item in the statement of retained earnings can appear on another financial statement. Choose the appropriate letter to match the item in the statement of retained earnings with the related financial statement.

ITEM ON STATEMENT OF RETAINED EARNINGS

1. _____ Retained earnings, January 1, Year 3
2. _____ Net income for Year 3
3. _____ Cash dividends paid for Year 3
4. _____ Retained earnings, December 31, Year 3

FINANCIAL STATEMENT

A. Balance Sheet at end of Year 3
B. Statement of Cash Flows for Year 3
C. Income Statement for Year 2
D. Balance Sheet at end of Year 2
E. Income Statement for Year 3

Question Details
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
Accessibility : Screen Reader Compatible
Bloom's : Understand
Source : Exclude LearnSmart

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01

5) Match the term to the appropriate definition. (There are more definitions than terms.)

Investors
Audit
Balance Sheet
Operating Activities
Unit of Measure Assumption
Retained Earnings
Investing Activities
Income Statement

A) A procedure by which independent evaluators assess the accounting procedures and financial reports of a company.

B) An example of external users of financial statements.

C) Activities directly related to running the business to earn a profit.

D) When a company acquires money from investors.

E) A financial statement that summarizes a company's past and current cash situation.

F) Transactions with lenders (borrowing and repaying cash) and stockholders (selling company stock and paying dividends).

G) The total amount of profits that are kept by the company.

H) The idea that the financial statements of a company include the results of only that company's business activities.

I) The idea that a company should report its financial data in the relevant currency.

J) Borrowing money from lenders.

K) A financial statement showing a company's assets, liabilities and stockholders' equity.

L) A financial statement that shows a company's revenues and expenses.

M) An example of an internal user of financial statements.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01

Question Details
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
Accessibility : Screen Reader Compatible
Bloom's : Understand
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
Topic : Useful Financial Information
Topic : Accounting for Business Decisions
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Source : Exclude LearnSmart

6) Match the acronym with the description that best reflects it. (There are more descriptions than acronyms.)

SEC
GAAP
PCAOB
FASB
IASB
SOX
AICPA

A) The U.S. agency that must approve mergers between very large publicly owned corporations.
B) The U.S. Board that approves the rules for auditing publicly owned companies.
C) The organization that establishes business laws in the U.S.
D) The Board that establishes the accounting rules that govern American owned corporations.
E) This organization regulates activities associated with the stock market such as the reporting of financial data by publicly owned companies.
F) The national professional organization of accountants.
G) Rules of financial accounting created by the FASB for use in the United States.
H) A set of laws established to strengthen corporate reporting in the United States.
I) The Board that establishes international accounting standards.
J) The U.S. agency that certifies foreign accounting firms to practice in the U.S.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01

Question Details
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
Accessibility : Screen Reader Compatible
Bloom's : Understand
AICPA : BB Legal
Topic : Useful Financial Information
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Source : Exclude LearnSmart

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

7) The table shows financial data for Purrfect Pets, Incorporated as of June 30, Year 3.

Accounts Receivable	$ 419,200
Retained Earnings	117,900
Inventories	58,400
Other Assets	69,400
Accounts Payable	349,200
Equipment	118,500
Cash	732,600
Common Stock	662,100
Notes Payable	268,900

Required:

Prepare a balance sheet using these data.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01

Question Details
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Type : Static
Gradable : manual
Accessibility : Screen Reader Compatible
Bloom's : Apply
Source : Exclude LearnSmart

8) The following partially completed balance sheet is missing numerical data.

Purrfect Pets, Incorporated
Balance Sheet
September 30, Year 3

Assets	
Cash	$ 743,800
Accounts Receivable	Unknown
Inventories	54,900
Equipment	119,300
Other Assets	71,400
Total Assets	Unknown
Liabilities	
Accounts Payable	$ 342,500
Notes Payable	Unknown
Total Liabilities	607,600
Stockholders' Equity	
Common Stock	662,100
Retained Earnings	Unknown
Total Stockholders' Equity	789,400
Total Liabilities and Stockholders' Equity	Unknown

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Required:

Fill in the missing items in the balance sheet.

Question Details
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Bloom's : Analyze
AICPA : BB Critical Thinking
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Type : Static
Gradable : manual
Accessibility : Screen Reader Compatible
Source : Exclude LearnSmart

9) A list of Year 3 revenues and expenses for Green Thumb, Incorporated is provided below.

Advertising and Promotion Expenses	$ 262,500
Income Tax Expense	56,500
Interest Expense	43,900
Other Expenses	122,400
Other Selling & Administrative Expenses	350,800
Sales Revenue	1,865,300
Salaries and Wages Expense	724,800

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Required:

a. Calculate the net income for Green Thumb, Incorporated for Year 3.

b. Prepare a statement of retained earnings for Green Thumb, Incorporated for Year 3. Assume the company had retained earnings of $162,000 as of January 1, Year 3, and paid out $46,000 in dividends during Year 3.

Question Details
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Type : Static
Gradable : manual
Accessibility : Screen Reader Compatible
Bloom's : Apply
Source : Exclude LearnSmart

10) Each of the following independent companies is missing numerical data.

Required:

Use your knowledge of the financial statement equations and their interrelationships to fill in the missing amounts.

Company	Total Revenues	Total Expenses	Net Income (Loss)	Total Assets	Total Liabilities	Stockholders' Equity

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Vanilla Company	$ 84,000	$ 28,000		$ 46,200	$ 92,400
Chocolate, Incorporated	140,000	(42,000)	182,000		53,200
Strawberry Company	42,000	14,000	84,000	56,000	

Question Details
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Bloom's : Analyze
Topic : The Basic Accounting Equation
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Type : Static
Gradable : manual
Accessibility : Screen Reader Compatible
Source : Exclude LearnSmart

11) Use the following Year 3 data:

Other Selling and Administrative Expenses	$ 1,050,300
Other Expenses	247,600
Sales Revenue	4,885,300
Advertising and Promotion Expenses	552,500
Salaries and Wages Expense	2,524,400
Income Tax Expense	166,500
Interest Expense	113,900

Required:
Prepare the annual income statement for Kvass, Incorporated

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01

Question Details
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Type : Static
Topic : Income Statement
Gradable : manual
Accessibility : Screen Reader Compatible
Bloom's : Apply
Source : Exclude LearnSmart

12) Following is a list of financial statement items and amounts for Vantage Service as of 12/31/Year 1, the end of its first year in operation.

Accounts Receivable	$ 40,000
Accounts Payable	30,000
Cash	10,000
Common Stock	20,000
Notes Payable	20,000
Equipment	50,000
Sales Revenue	100,000
Fuel Expense	15,000
Rent Expense	20,000
Advertising Expense	5,000
Salaries and Wages Expense	20,000
Retained Earnings	?
Dividends	10,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01

Required:

1.Prepare the income statement for the year ended December 31, Year 1.
2.Prepare the statement of retained earnings for the year ended December 31, Year 1.
3.Prepare the balance sheet for the year ended December 31, Year 1.

Question Details
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Type : Static
Gradable : manual
Accessibility : Screen Reader Compatible
Bloom's : Apply
Source : Exclude LearnSmart

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01
Answer Key

Test name: CH01

1) 1. B, 2. A and D, 3. C, 4. B, 5. D, 6. A, 7. A and D

2) C) Investing activity
A) Financing activity
B) Operating activity
B) Operating activity
C) Investing activity
A) Financing activity

3) Balance Sheet: J = E + K, Income Statement: H = I − L, Statement of Retained Earnings: G = C + H − N, Statement of Cash Flows: M = B + D + F + A

4) 1. D, 2. E and/or B, 3. B, 4. A

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

5) Investors: B) An example of external users of financial statements.
Audit: A) A procedure by which independent evaluators assess the accounting procedures and financial reports of a company.
Balance Sheet: K) A financial statement showing a company's assets, liabilities and stockholders' equity.
Operating Activities: C) Activities directly related to running the business to earn a profit.
Unit of Measure Assumption: I) The idea that a company should report its financial data in the relevant currency.
Retained Earnings G) The total amount of profits that are kept by the company.
Investing Activities: F) Transactions with lenders (borrowing and repaying cash) and stockholders (selling company stock and paying dividends).
Income Statement: L) A financial statement that shows a company's revenues and expenses.

6) SEC: E) This organization regulates activities associated with the stock market such as the reporting of financial data by publicly owned companies.
GAAP: G) Rules of financial accounting created by the FASB for use in the United States.
PCAOB: B) The U.S. Board that approves the rules for auditing publicly owned companies.
FASB: D) The Board that establishes the accounting rules that govern American owned corporations.
IASB: I) The Board that establishes international accounting standards.
SOX: H) A set of laws established to strengthen corporate reporting in the United States.
AICPA: F) The national professional organization of accountants.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01

7)

Purrfect Pets, Incorporated
Balance Sheet
June 30, Year 3

Assets	
Cash	$ 732,600
Accounts Receivable	419,200
Inventories	58,400
Equipment	118,500
Other Assets	69,400
Total Assets	$ 1,398,100
Liabilities	
Accounts Payable	$ 349,200
Notes Payable	268,900
Total Liabilities	618,100
Stockholders' Equity	
Common Stock	662,100
Retained Earnings	117,900
Total Stockholders' Equity	780,000
Total Liabilities and Stockholders' Equity	$ 1,398,100

8)

Purrfect Pets, Incorporated
Balance Sheet
September 30, Year 3

Assets	
Cash	$ 743,800
Accounts Receivable	407,600
Inventories	54,900
Property, Plant and Equipment	119,300
Other Assets	71,400
Total Assets	$ 1,397,000
Liabilities	
Accounts Payable	$ 342,500
Notes Payable	265,100

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Total Liabilities	607,600
Stockholders' Equity	
Common Stock	662,100
Retained Earnings	127,300
Total Stockholders' Equity	789,400
Total Liabilities and Stockholders' Equity	$ 1,397,000

9) a.

Net income = Revenues − Expenses

= $1,865,300 − $262,500 − $56,500 − $43,900 − $122,400 − $350,800 − $724,800 = $304,400

b.

GREEN THUMB, INCOPORATED
Statement of Retained Earnings
For the Year Ended December 31, Year 3

Retained Earnings, January 1, Year 3	$ 162,000
Add: Net Income	304,400
Subtract: Dividends	(46,000)
Retained Earnings, December 31, Year 3	$ 420,400

10)

Company	**Total Revenues**	**Total Expenses**	**Net Income (Loss)**	**Total Assets**	**Total Liabilities**	**Stockholders' Equity**
Vanilla Company	$ 84,000	$ 56,000	$ 28,000	$ 138,600	$ 46,200	$ 92,400
Chocolate, Incorporated	98,000	140,000	(42,000)	182,000	128,800	53,200
Strawberry Company	42,000	14,000	28,000	84,000	56,000	28,000

11)

KVASS, INCORPORATED
Income Statement
For the Year Ended December 31, Year 3

Revenues

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Sales Revenue	$ 4,885,300
Expenses	
Salaries and Wages Expense	2,524,400
Advertising and Promotion Expenses	552,500
Other Selling & Administrative Expenses	1,050,300
Interest Expense	113,900
Income Tax Expense	166,500
Other Expenses	247,600
Total Expenses	4,655,200
Net Income	$ 230,100

12) 1.

Vantage Service
Income Statement
For the Year Ended December 31, Year 1

Revenues	
Sales Revenue	$ 100,000
Expenses	
Fuel Expense	15,000
Rent Expense	20,000
Advertising Expense	5,000
Wage Expense	20,000
Total Expenses	60,000
Net Income	$ 40,000

2.

Vantage Service
Statement of Retained Earnings
For the Year Ended December 31, Year 1

Retained Earnings, January 1, Year 1	$ 0
Add: Net Income	40,000
Subtract: Dividends	(10,000)
Retained Earnings, December 31, Year 1	$ 30,000

3.

Vantage Service
Balance Sheet
December 31, Year 1

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Assets	
Cash	$ 10,000
Accounts Receivable	40,000
Equipment	50,000
Total Assets	$ 100,000
Liabilities	
Accounts Payable	$ 30,000
Notes Payable	20,000
Total Liabilities	50,000
Stockholders' Equity	
Common Stock	20,000
Retained Earnings	30,000
Total Equity	50,000
Total Liabilities and Stockholders' Equity	$ 100,000

Total Liabilities and Stockholders' Equity = Total Assets

Total Assets $100,000 − Liabilities $50,000 = Stockholders' Equity $50,000

Stockholders' Equity $50,000 = Common stock $20,000 + Retained Earnings

Retained Earnings = $30,000 (which also matches the Statement of Retained Earnings)

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

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) Creditors are owners of a corporation.

1) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Topic : Organizational Forms
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

2) All corporations acquire financing by issuing stock for sale on public stock exchanges.

2) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Difficulty : 2 Medium
Topic : Organizational Forms
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

3) You paid $10,000 to buy 1% of the stock in a corporation that is now bankrupt. The company owes $10 million dollars to its creditors. As a result of the bankruptcy, you are responsible for paying $100,000 (or $10 million × 1%) of the amount owed to the creditors.

3) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
AACSB : Analytical Thinking
AICPA : BB Legal
Difficulty : 2 Medium
Topic : Organizational Forms
Bloom's : Apply
AICPA : FN Measurement
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

4) Cash paid for wages is an example of an operating activity on the statement of cash flows.

4) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

5) Borrowing money from a bank is a financing activity on the statement of cash flows.

5) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

6) The daily business activities involved in running a business, such as buying supplies and paying salaries and wages, are classified as operating activities on the statement of cash flows.

6) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

7) Stockholders' equity is the difference between a company's assets and its liabilities.

7) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

8) A company owes $200,000 on a bank loan. It will be reported by the company as Accounts Payable.

8) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

9) The amounts reported on financial statements are sometimes rounded to the nearest million.

9) _____

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Bloom's : Remember
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

10) Accounts Payable, Notes Payable, and Salaries and Wages Payable are examples of liabilities.

10) _____

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

11) Dividends are subtracted from revenues on the income statement.

11) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Income Statement
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

12) If a company reports net income on the income statement, then the statement of cash flows will report the same amount as cash flows from operating activities for the period.

12) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
Difficulty : 2 Medium
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Topic : Income Statement
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

13) Revenue is reported on the income statement only if cash was received at the point of sale.

13) _____

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Income Statement
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

14) Generally Accepted Accounting Principles (GAAP) require profitable companies to distribute some of their earnings to their stockholders.

14) _____

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : BB Legal
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
AICPA : FN Decision Making
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

15) Common Stock is reported as an asset on the balance sheet.

15) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Bloom's : Remember
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

16) Investors are mainly interested in the profitability of a company.

16) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AICPA : FN Reporting
Difficulty : 2 Medium
AICPA : BB Resource Management
Learning Objective : 01-03 Explain how financial statements are used by decision makers.
Topic : Using Financial Statements
AACSB : Reflective Thinking
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

17) A stock that does not pay a dividend is an undesirable investment.

17) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Decision Making
Learning Objective : 01-03 Explain how financial statements are used by decision makers.
Topic : Using Financial Statements
Difficulty : 3 Hard
Bloom's : Evaluate
AICPA : BB Critical Thinking
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

18) In order to be considered useful, information must have two fundamental characteristics: reliability and understandability.

18) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Bloom's : Remember
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

19) The Securities and Exchange Commission (SEC) is the government agency that has primary responsibility for setting accounting standards in the U.S.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

19) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Bloom's : Remember
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

20) The Sarbanes-Oxley Act (SOX) requires top management of companies to sign a report certifying that the financial statements are free of error.

20) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Bloom's : Remember
Difficulty : 3 Hard
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

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

21) Public corporations are businesses:

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

21) _____

A) owned by two or more people, each of whom is personally liable for the debts of the business.
B) whose stock is bought and sold on a stock exchange.
C) whose stock is bought and sold privately.
D) where stock is not used as evidence of ownership.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Topic : Organizational Forms
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

22) The owner(s) of a business are not taxed on the profits of the business if the business is a:

22) _____

A) sole proprietorship.
B) partnership.
C) corporation.
D) public partnership.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Difficulty : 2 Medium
Topic : Organizational Forms
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

23) Which of the following is typically considered a disadvantage of sole proprietorships?

23) _____

A) Income taxes are paid by both the business and its owner.
B) The business is considered a separate legal entity from its owner.
C) Establishing the business usually requires legal assistance.
D) Owner is personally liable for all debts of the business.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
Bloom's : Understand
AICPA : BB Legal
Difficulty : 2 Medium
Topic : Organizational Forms
AICPA : FN Decision Making
AACSB : Communication
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

24) Considering the targeted audience for financial accounting reports, which of the following parties below is not an external user?

24) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) Customers of the company issuing the reports
B) Creditors of the company issuing the reports
C) Managers of the company issuing the reports
D) Stockholders of the company issuing the reports

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
Topic : Accounting for Business Decisions
AACSB : Analytical Thinking
AICPA : BB Legal
Bloom's : Remember
AICPA : FN Decision Making
AICPA : BB Global
AICPA : BB Industry
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

25) Accounting systems:

25) _____

A) are summarized in publicly published reports.
B) analyze, record, and summarize the activities affecting its financial condition and performance.
C) monitor business activities only in financial terms.
D) capture only the information that is needed by the owners of the company.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
Topic : Accounting for Business Decisions
Bloom's : Understand
AACSB : Analytical Thinking
Difficulty : 2 Medium
AICPA : FN Measurement
AICPA : BB Resource Management
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

26) People or organizations to whom a business owes money are considered:

26) _____

A) owners of a business.
B) creditors of a business.
C) stockholders of a business.
D) customers of a business.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
Topic : Accounting for Business Decisions
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Remember
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

27) The owner is not responsible for the entity's taxes and debts if the entity is organized as a(n):

27) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) corporation
B) sole proprietorship.
C) unlimited liability corporation.
D) limited liability corporation.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
AICPA : BB Legal
AICPA : FN Reporting
Topic : Organizational Forms
Bloom's : Remember
AACSB : Reflective Thinking
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

28) Which of the following is a characteristic of a partnership?

28) _____

A) The profits, taxes, and legal liability are the responsibility of two or more owners.
B) It is a legal entity separate from its owners.
C) Its income is taxed twice—once on the partnership's income tax return and again on the partners' individual income tax returns.
D) It is the only organizational form appropriate for service businesses.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
AICPA : BB Legal
AICPA : FN Reporting
Topic : Organizational Forms
Bloom's : Remember
AACSB : Reflective Thinking
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

29) Managerial accounting reports prepared for internal use are used by the company's:

29) _____

A) suppliers.
B) bank.
C) employees.
D) stockholders.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
Topic : Accounting for Business Decisions
AACSB : Analytical Thinking
Bloom's : Remember
AICPA : FN Decision Making
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

30) Directors of a corporation:

30) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) want to ensure they will be paid for the goods and services they deliver.
B) oversee managers to ensure their decisions are in the best interests of its stockholders.
C) assess the financial strength of a business and attempt to estimate its value.
D) are responsible for the functioning of stock markets and ensuring that taxes are correctly computed.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
Topic : Accounting for Business Decisions
AACSB : Analytical Thinking
Bloom's : Remember
AICPA : FN Decision Making
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

31) The main goal of an accounting system is to:

31) _____

A) capture information about a business so that it can be reported to decision makers.
B) earn a profit for the company's stockholders.
C) prove that assets equal liabilities plus stockholders' equity.
D) provide initial financing for a new startup.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
Topic : Accounting for Business Decisions
AACSB : Analytical Thinking
Bloom's : Remember
AICPA : FN Decision Making
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

32) Financing that individuals or institutions have provided to a corporation is:

32) _____

A) always classified as a liability.
B) classified as a liability when provided by creditors and as stockholders' equity when provided by owners.
C) always classified as equity.
D) classified as a stockholders' equity when provided by creditors and a liability when provided by owners.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

33) An investor who is looking at a company's financial statements cannot determine whether the:

33) _____

A) company's earnings are rising or falling.
B) company pays a dividend.
C) company has positive cash flow.
D) company's owners are financially sound.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
Topic : Accounting for Business Decisions
Bloom's : Understand
AICPA : BB Resource Management
AICPA : FN Decision Making
AACSB : Reflective Thinking
Difficulty : 3 Hard
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

34) A sole proprietorship is:

34) _____

A) a separate legal and accounting entity from its owner(s).
B) owned and operated by one individual.
C) considered a public company.
D) can easily raise large amounts of capital for growth.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Topic : Organizational Forms
Bloom's : Remember
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

35) Internal users of financial data include:

35) _____

A) investors.
B) creditors.
C) management.
D) regulatory authorities.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
Topic : Accounting for Business Decisions
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
AICPA : BB Resource Management
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

36) Which of the following statements about financial accounting reports is correct?

36) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) Financial accounting reports are used primarily by employees to make business decisions related to production.

B) Financial accounting reports are used primarily by management to understand whether a product line should be discontinued.

C) Financial accounting reports are primarily prepared to provide information for external decision makers.

D) Financial accounting reports primarily contain detailed internal records of the company.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
Topic : Accounting for Business Decisions
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
AICPA : BB Resource Management
Bloom's : Remember
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

37) Which of the following statements about organizational forms of a business is not correct?

37) _____

A) In a sole proprietorship form of business or in a partnership form, the owner(s) are personally responsible for the debts of the business.

B) The partnership agreement states how profits are to be shared between partners and what happens when a new partner is to be admitted or an existing partner is retiring.

C) A corporation is a separate entity from both a legal and accounting perspective.

D) The owners of a corporation are legally responsible for the corporation's debts and taxes.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : BB Legal
Difficulty : 2 Medium
Topic : Organizational Forms
AICPA : FN Measurement
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

38) A legal document called a stock certificate is used to indicate ownership in a:

38) _____

A) corporation.
B) sole proprietorship.
C) partnership.
D) both sole proprietorship and partnership.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
AACSB : Analytical Thinking
AICPA : BB Legal
Topic : Organizational Forms
AICPA : FN Measurement
Bloom's : Remember
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

39) Which of the following statements below is correct about a corporation and a partnership?

39) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) A partnership is comprised of two or more owners, whereas a corporation must have only one owner.

B) A corporation is legally responsible for its own taxes and debts, whereas the owners of the partnership are responsible for its taxes and debts.

C) Owners of both entities are legally responsible for the taxes and debts of the business.

D) Both entities issue shares of stock to owners.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
AACSB : Analytical Thinking
Difficulty : 2 Medium
Topic : Organizational Forms
Bloom's : Remember
AICPA : FN Decision Making
AICPA : BB Industry
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

40) Which of the following expressions of the accounting equation is correct?

40) _____

A) Liabilities + Assets = Stockholders' Equity
B) Stockholders' Equity + Assets = Liabilities
C) Assets = Liabilities− Stockholders' Equity
D) Stockholders' Equity = Assets− Liabilities

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
Bloom's : Remember
AICPA : BB Industry
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

41) Net income is the amount:

41) _____

A) the company earned after subtracting expenses and dividends from revenue.
B) by which assets exceed expenses.
C) by which assets exceed liabilities.
D) by which revenues exceed expenses.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

42) Expenses are reported on the:

42) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) income statement in the time period in which they are paid.
B) income statement in the time period in which they are incurred.
C) balance sheet in the time period in which they are paid.
D) balance sheet in the time period in which they are incurred.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

43) The financial reports of a business include only the activities of the business and not the personal dealings of its stockholders. This is:

43) _____

A) required only for large corporations.
B) the cost principle.
C) the accounting equation.
D) the separate entity assumption.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
Bloom's : Remember
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

44) The separate entity assumption assumes:

44) _____

A) the financial reports of a business include only the results of that business's activities.
B) assets equal liabilities plus stockholder's equity.
C) revenues and expenses are reported in separate sections of a company's income statement.
D) assets are reported in a separate financial statement from liabilities.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
Bloom's : Remember
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

45) Mauricio invested $30,000 in Pizza Aroma in exchange for its stock. Pizza Aroma now has:

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

45) _____

A) a liability.
B) retained earnings.
C) common stock.
D) net income.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
Difficulty : 2 Medium
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

46) Amounts earned by selling goods or services to customers are called:

46) _____

A) revenues.
B) expenses.
C) dividends.
D) common stocks.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
Bloom's : Remember
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

47) Profit is equal to:

47) _____

A) revenues minus expenses.
B) assets minus liabilities.
C) the amount of cash that a company has.
D) the amount of cash that owners have contributed to the business.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
Bloom's : Remember
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

48) If revenues are less than expenses, the company's Retained Earnings:

48) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) decrease.
B) increase.
C) must be replenished by stockholders.
D) are paid to stockholders.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

49) A cost of doing business is referred to as a(n) _____ and is considered necessary to earn _____.

49) _____

A) revenue; assets
B) expense; revenue
C) liability; expenses
D) dividend; revenue

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
Bloom's : Remember
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

50) Expenses are:

50) _____

A) equal to a company's liabilities.
B) always less than revenues.
C) the costs of doing business that are necessary to earn revenue.
D) always less than the amount of cash a company has available.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
Bloom's : Remember
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

51) An economic resource that is owned by a company and will provide future benefits is referred to as:

51) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) revenue.
B) an asset.
C) retained earnings.
D) net income.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
Bloom's : Remember
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

52) Alpha sold $2,000 of services to Beta on credit. Beta promised to pay for it next month. Alpha will report a $2,000:

52) _____

A) Accounts Receivable.
B) Accounts Payable.
C) increase in Cash, since Beta is sure to pay next month.
D) net loss.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
Difficulty : 2 Medium
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

53) Alpha sold $2,000 of services to Beta on credit. Beta promised to pay for it next month. Beta will report a $2,000:

53) _____

A) Accounts Payable.
B) Accounts Receivable.
C) decrease in Cash, since it plans to pay next month.
D) net income.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
Difficulty : 2 Medium
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

54) TreeTop Nursery sold $7,500 of goods to customers of which $4,500 has been collected. TreeTop should report revenues of:

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

54) _____

A) $7,500.
B) $4,500.
C) $3,000.
D) $0.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
Difficulty : 2 Medium
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

55) Cash flows from (used in) investing activities include amounts:

55) _____

A) received from a company's stockholders for the sale of stock.
B) received from the sale of the company's office building.
C) paid for dividends to the company's stockholders.
D) paid for salaries of employees.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

56) Which of the following would not represent a financing activity?

56) _____

A) Paying dividends to stockholders.
B) Cash received from owners in exchange for company stock.
C) Borrowing money from a bank to purchase new equipment.
D) Buying supplies.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

57) Operating activities include:

57) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) interest paid on a bank loan.
B) the buying or selling of land, buildings, equipment, and other long-term investments.
C) the repayment of loan proceeds to the bank.
D) obtaining a bank loan to cover the payment of wages, rent and other operating costs.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

58) The separate entity assumption means:

58) _____

A) a company's financial statements reflect only the business activities of that company.
B) each separate owner's finances must be revealed in the financial statements.
C) each separate entity that has a claim on a company's assets must be shown in the financial statements.
D) if the business is a sole proprietorship, the owners' personal activities are included in the company's financial statements.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

59) Operating activities, investing activities, and financing activities are presented on the:

59) _____

A) balance sheet.
B) statement of cash flows.
C) statement of retained earnings.
D) income statement.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Bloom's : Remember
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

60) Financial statements are most commonly prepared:

60) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) daily.
B) monthly, quarterly, and annually.
C) as needed.
D) weekly.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Bloom's : Remember
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

61) Which of the following statements about a fiscal year is correct?

61) _____

A) Companies can choose to end their fiscal year on any date they feel is most relevant.
B) Companies must end their fiscal year on March 31, June 30, September 30, or December 31.
C) Companies can select any date except a holiday to end their fiscal year.
D) Companies must end their fiscal year on December 31.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Bloom's : Remember
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

62) Assets:

62) _____

A) represent the amounts earned by a company.
B) must equal the liabilities of a company.
C) must equal the stockholders' equity of the company.
D) represent the resources presently controlled by a company.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Bloom's : Remember
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

63) A net loss for a period arises when:

63) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) assets are greater than liabilities.
B) revenues are less than expenses.
C) liabilities are greater than stockholders' equity.
D) revenues are greater than expenses.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
Bloom's : Remember
AICPA : BB Industry
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

64) Net income that has been paid out to the company's stockholders for their own personal use is referred to as:

64) _____

A) dividends.
B) equities.
C) revenues.
D) retained earnings.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
Bloom's : Remember
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

65) Crystal Lodging recorded $330,000 in revenues, $247,500 in expenses, and $45,000 of dividends for the year. The company began the year with total assets of $285,000 and stockholders' equity of $130,500.

What was the net income (loss) reported by Crystal Lodging for the year?

65) _____

A) $37,500
B) $94,500
C) $82,500
D) $49,500

Question Details
Accessibility : Keyboard Navigation
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
AICPA : BB Industry
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

66) Crystal Lodging recorded $330,000 in revenues, $247,500 in expenses, and $45,000 of dividends for the year. The company began the year with total assets of $285,000 and stockholders′ equity of $130,500.

Suppose that liabilities increased by $90,000 and stockholders' equity increased by $37,500. What would be the change in Crystal Lodging's assets?

66) _____

A) $168,000 increase
B) $127,500 increase
C) $154,500 increase
D) $52,500 increase

Question Details
Accessibility : Keyboard Navigation
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
Difficulty : 3 Hard
AICPA : BB Industry
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

67) The obligations and debts of a business are referred to as:

67) _____

A) equities.
B) assets.
C) dividends.
D) liabilities.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
Bloom's : Remember
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

68) Which of the following are the three basic elements of the balance sheet?

68) _____

A) Assets, liabilities, and retained earnings.
B) Assets, liabilities, and common stock.
C) Assets, liabilities, and revenues.
D) Assets, liabilities, and stockholders' equity.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Bloom's : Remember
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

69) Coast Company has 10,700 items of building supplies on hand that cost $321,000; a bill related to these supplies totaling $170,000 from a vendor has not yet been paid. The company expects to earn $807,000 for its services when it uses the building supplies. The company's balance sheet would include an asset, Supplies, in the amount of:

69) _____

A) $321,000.
B) $151,000.
C) $10,700.
D) $807,000.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Difficulty : 3 Hard
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

70) Coast Company has 5,000 items of building supplies on hand that cost $150,000; a bill related to these supplies totaling $50,000 from a vendor has not yet been paid. The company expects to earn $400,000 for its services when it uses the building supplies. The company's balance sheet would include an asset, Supplies, in the amount of:

70) _____

A) $5,000.
B) $100,000.
C) $150,000.
D) $400,000.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Difficulty : 3 Hard
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

71) The Publish or Perish Printing Company paid a dividend to stockholders. This will be reported on the:

71) _____

A) audit report.
B) income statement.
C) balance sheet.
D) statement of retained earnings.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
Topic : Statement of Retained Earnings

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

72) Which of the following is not correct?

72) _____

A) Assets = Liabilities + Stockholders' Equity
B) Liabilities = Assets − Stockholders' Equity
C) Stockholders' Equity + Liabilities− Assets = 0
D) Assets = Liabilities− Stockholders' Equity

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

73) At the end of last year, the company's assets totaled $874,000 and its liabilities totaled $747,000. During the current year, the company's total assets increased by $59,400 and its total liabilities increased by $24,700. At the end of the current year, stockholders' equity was:

73) _____

A) $161,700.
B) $34,700.
C) $186,400.
D) $127,000.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Difficulty : 3 Hard
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

74) At the end of last year, the company's assets totaled $430,000 and its liabilities totaled $370,000. During the current year, the company's total assets increased by $29,000 and its total liabilities increased by $12,000. At the end of the current year, stockholders' equity was:

74) _____

A) $77,000.
B) $60,000.
C) $17,000.
D) $89,000.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Difficulty : 3 Hard
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

75) If total liabilities decreased by $50,000 and stockholders' equity increased by $10,000 during a period of time, then total assets must change by what amount and direction during that same time period?

75) _____

A) $40,000 increase
B) $40,000 decrease
C) $60,000 increase
D) $60,000 decrease

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
Difficulty : 3 Hard
AICPA : BB Industry
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

76) A company's balance sheet contained the following information:

Common Stock	$ 13,400	**Total Assets**	$ 190,000
Accounts Payable	65,400	**Retained Earnings**	29,400

Notes Payable is the only other item on the balance sheet. Notes Payable must equal:

76) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) $81,800.
B) $16,400.
C) $83,700.
D) $18,700.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Difficulty : 3 Hard
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

77) A company's balance sheet contained the following information:

Common Stock	$ 24,000	**Total Assets**	$ 352,000
Accounts Payable	128,000	**Retained Earnings**	56,000

Notes Payable is the only other item on the balance sheet. Notes Payable must equal:

77) _____

A) $400,000.
B) $16,000.
C) $144,000.
D) $688,000.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Difficulty : 3 Hard
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

78) During Year 5, a company's assets increase by $112,000 and its liabilities increase by $76,000. If no dividends were paid and there were no changes in the amount of common stock issued during the year, net income for Year 5 was:

78) _____

A) $112,000.
B) $36,000.
C) $188,000.
D) $76,000.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Topic : The Basic Accounting Equation
Difficulty : 3 Hard
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

79) A company began the year with assets of $112,000, liabilities of $26,000, and stockholders' equity of $86,000. During the year assets increased $56,200 and stockholders' equity increased $22,400. What was the change in liabilities for the year?

79) _____

A) Increase of $78,600
B) Increase of $33,800
C) Decrease of $78,600
D) Decrease of $33,800

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Difficulty : 2 Medium
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

80) A company began the year with assets of $200,000, liabilities of $40,000, and stockholders' equity of $160,000. During the year assets increased $110,000 and stockholders' equity increased $40,000. What was the change in liabilities for the year?

80) _____

A) Increase of $150,000
B) Increase of $70,000
C) Decrease of $150,000
D) Decrease of $70,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Difficulty : 2 Medium
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

81) During its first year of operations, Puffin, Incorporated reported Sales Revenue of $389,200 but only collected $313,000 in cash from customers. At the end of the year, Accounts Receivable equals:

81) _____

A) $313,000.
B) $702,200.
C) $76,200.
D) $389,200.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

82) During its first year of operations, Puffin, Incorporated reported Sales Revenue of $772,000 but only collected $606,000 in cash from customers. At the end of the year, Accounts Receivable equals:

82) _____

A) $1,378,000.
B) $772,000.
C) $606,000.
D) $166,000.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

83) If Blair Industries had $15 million in revenue and net income of $9 million, then its:

83) _____

A) expenses must have been $24 million.
B) expenses must have been $6 million.
C) assets must have been $15 million.
D) assets must have been $9 million.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

84) If Blair Industries had $24 million in revenue and net income of $6 million, then its:

84) _____

A) expenses must have been $30 million.
B) expenses must have been $18 million.
C) assets must have been $24 million.
D) assets must have been $6 million.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

85) If Boward Company has Common Stock of $40,000, total assets of $85,000, and total liabilities of $35,000, its Retained Earnings equals:

85) _____

A) $10,000.
B) $45,000.
C) $50,000.
D) $55,000.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
AICPA : BB Industry
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

86) The WeBuild Construction Company sold $12 million of buildings in its first year of operations. The company received payments of $8.00 million for these buildings. The company's income statement would report:

86) _____

A) Expenses of $4.00 million.
B) Accounts Receivable of $8.00 million.
C) Sales Revenue of $8.00 million.
D) Sales Revenue of $12 million.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

87) The WeBuild Construction Company sold $16.5 million of buildings in its first year of operations. The company received payments of $11.25 million for these buildings. The company's income statement would report:

87) _____

A) Accounts Receivable of $5.25 million.
B) Expenses of $5.25 million.
C) Sales Revenue of $11.25 million.
D) Sales Revenue of $16.5 million.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

88) Which of the following financial statements shows how net income (loss) and dividends impacted a stockholders' equity account?

88) _____

A) Statement of Retained Earnings
B) Balance Sheet
C) Statement of Cash Flows
D) Income Statement

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Bloom's : Remember
AICPA : BB Industry
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
Topic : Statement of Retained Earnings

89) Dividends are reported on the:

89) _____

A) income statement.
B) balance sheet.
C) statement of retained earnings.
D) income statement and balance sheet.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Bloom's : Remember
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
Topic : Statement of Retained Earnings

90) Dividends paid to stockholders:

90) _____

A) are a reduction to Retained Earnings.
B) appear in the cash flows from operating activities section of the statement of cash flows.
C) appear on the income statement.
D) are subtracted from Common Stock.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Bloom's : Remember
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
Topic : Statement of Retained Earnings

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

91) Which of the following would not affect a company's net income?

91) _____

A) A change in the company's income taxes
B) Changing the selling price of a company's product
C) Paying a dividend to stockholders
D) Advertising a new product

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Income Statement
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

92) Which of the following transactions would be reported on the income statement for Year 2?

92) _____

A) Supplies that were purchased and used in Year 1 but paid for in Year 2.
B) Supplies that were purchased in Year 1, but used in Year 2.
C) Dividends that were paid in Year 2.
D) Accounts Receivable as of December 31, Year 2.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Difficulty : 3 Hard
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

93) Solve for the missing data.

CINNAMON AND SPICE, INCORPORATED
Income Statement
For the Year Ended December 31, Year 3

Revenues	
Sales Revenue	$ 3,000,000
Service Revenue	810,200
Total Revenues	Unknown
Expenses	
Salaries and Wages Expense	1,314,900
Advertising and Promotion Expenses	482,200
Other Selling and Administrative Expenses	Unknown
Interest Expense	225,600
Income Tax Expense	117,700
Other Expenses	253,700
Total Expenses	3,445,600
Net Income	Unknown

93) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) Total revenues are $3,810,200, other selling and administrative expenses are $1,051,500, and net income is $364,600.

B) Total revenues are $2,495,300, other selling and administrative expenses are $1,051,500, and net income is ($950,300).

C) Total revenues are $364,600, other selling and administrative expenses are $3,081,000, and net income is $7,255,800.

D) Total revenues are $3,810,200, other selling and administrative expenses are $364,600, and net income is $7,255,800.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Income Statement
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

94) Which of the following statements about this Statement of Retained Earnings is not correct?

Carly Q's
Statement of Retained Earnings
For the Year Ended December 31, Year 4

Retained Earnings, January 1, Year 4	$ 251,700
Add: Net Income	328,650
Subtract: Dividends	(54,600)
Retained Earnings, December 31, Year 4	$ 525,750

94) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) Retained earnings of $525,750 will appear on the balance sheet as of December 31, Year 4.

B) The net income in the above statement came from the income statement for the year ending December 31, Year 4.

C) Dividends are shown in parentheses because they are distributions of earnings to the stockholders.

D) The ending retained earnings amount represents the amount of cash at the end of Year 4.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
Topic : Statement of Retained Earnings

95) Universal Corporation has beginning Retained Earnings of $80,000, cash flows from operating activities during the current year of $35,000, dividends paid during the year of $5,000, net income for the current year of $50,000, and Common Stock at the end of the year of $15,000. What is the amount of its Retained Earnings at the end of the year?

95) _____

A) $125,000
B) $140,000
C) $160,000
D) $175,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Industry
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
Topic : Statement of Retained Earnings

96) Which of the following is correct about the financial statements?

96) _____

A) The "change in cash" reported on the statement of cash flows is also reported on the statement of retained earnings.

B) Both the income statement and the statement of cash flows show the result of a company's operating activities.

C) The statement of cash flows is for a period of time while the income statement is for a point in time.

D) The statement of cash flows is for a point of time while the income statement is for a period of time.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

97) The purpose of a statement of retained earnings is to:

97) _____

A) estimate the current value of a company's assets.
B) report the way that net income and dividends affected the financial position of the company during the period.
C) show where the cash is flowing into and out of a company.
D) report the specific revenues and expenses arising during the period.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
Topic : Statement of Retained Earnings

98) Which of the following statements about the format of financial statements is correct?

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

98) _____

A) A double underline is drawn below the subtotal for Total Liabilities on the balance sheet.

B) Dollar signs are omitted if the heading states that amounts are reported in U.S. dollars.

C) Dividends are shown in parentheses on the statement of retained earnings.

D) The order of the items included in the heading of each financial statement is as follows: the name of the business, the time period covered by the financial statement, and the title of the report.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Difficulty : 3 Hard
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

99) Which of the following is not an expense?

99) _____

A) Wages of employees
B) Interest incurred on a note payable
C) Dividends
D) Corporate income tax

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

100) Which of the following statements about a company's fiscal year is correct?

100) _____

A) All companies have a December 31 year-end.
B) It usually corresponds to a company's slow period.
C) It always corresponds to the calendar year.
D) The Financial Accounting Standards Board assigns a year-end to each company.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

101) Every financial statement should have "who, what, and when" in its heading. These include the:

101) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) name of the person preparing the statement, the type of financial statement, and when the financial statement was reported to the SEC.

B) name of the person preparing the statement, the name of the company, and the date the statement was prepared.

C) name of the company, the type of financial statement, and the time period or date from which the data were taken.

D) name of the company, the purpose of the statement, and when the financial statement was reported to the IRS.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Bloom's : Remember
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

102) Which of the following descriptions about a notes payable is correct?

102) _____

A) A written promise to repay a loan
B) A type of long-term asset
C) Generally informal in nature
D) Reported as part of stockholders' equity on the balance sheet

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Topic : The Basic Accounting Equation
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

103) The WC Company borrowed $26,500 from a bank during the year. This borrowing would be reported on the statement of cash flows as a(n):

103) _____

A) investing activity in the amount of ($26,500).
B) financing activity in the amount of ($26,500).
C) investing activity in the amount of $26,500.
D) financing activity in the amount of $26,500.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

104) Which of the following would be an acceptable alternative name for the income statement?

104) _____

A) Statement of Profit and Loss
B) Statement of Financial Position
C) Statement of Retained Earnings
D) Statement of Revenues and Expenses

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Income Statement
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

105) Which of the following statements is prepared as of a point in time?

105) _____

A) Income Statement
B) Statement of Retained Earnings
C) Balance Sheet
D) Statement of Cash Flows

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Bloom's : Remember
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

106) Which of the following would not be reported on the balance sheet?

106) _____

A) Accounts Receivable
B) Accounts Payable
C) Advertising Expense
D) Cash

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

107) A company incurred $5,000 for rent for the last month of Year 5. The company paid the bill during the first month of Year 6. Which of the following statements is correct?

107) _____

A) The related $5,000 should be reported on the income statement for Year 5 as Rent Expense.

B) Since it has not been paid, this bill would not be reported in the financial statements for Year 5.

C) The related $5,000 should be included in Accounts Receivable on the balance sheet at the end of Year 5.

D) The related $5,000 should be included in Rent Expense on the balance sheet at the end Year 5.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Difficulty : 3 Hard
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

108) During the first year of operations, a company sold $108,000 of goods to customers and received $94,000 in cash from customers. The remainder is owed to the company at the end of the year. The company incurred $70,800 in expenses for the year and paid $65,800 in cash for these expenses. The remainder is owed by the company at the end of the year. Based on this information, what is the amount of net income for the year?

108) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) $37,200
B) $42,200
C) $23,200
D) $28,200

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

109) During the first year of operations, a company sold $80,000 of goods to customers and received $72,000 in cash from customers. The remainder is owed to the company at the end of the year. The company incurred $56,000 in expenses for the year and paid $52,000 in cash for these expenses. The remainder is owed by the company at the end of the year. Based on this information, what is the amount of net income for the year?

109) _____

A) $20,000
B) $28,000
C) $16,000
D) $24,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

110) Which of the following items appear on more than one financial statement?

110) _____

A) Ending Cash and ending Retained Earnings
B) Ending Cash and beginning Retained Earnings
C) Sales Revenue and ending Retained Earnings
D) Beginning Cash and Sales Revenue

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Critical Thinking
Bloom's : Analyze
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

111) A company incurred $10,000 in wages for employees during the year. Of these wages, $9,000 was paid by the end of the year. Which of the following statements is correct?

111) _____

A) Salaries and Wages Payable on the income statement will be $9,000.
B) Salaries and Wages Expense on the income statement will be $1,000.
C) Salaries and Wages Expense on the balance sheet will be $10,000.
D) Salaries and Wages Payable on the balance sheet will be $1,000.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
Difficulty : 2 Medium
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

112) Net income appears on which of the following financial statements?

112) _____

A) Balance sheet and income statement
B) Balance sheet and statement of retained earnings
C) Balance sheet and statement of cash flows
D) Income statement and statement of retained earnings

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

113) Stockholders' equity is:

113) _____

A) a liability of the business.
B) an economic resource controlled by the business.
C) the owners' claims on the business.
D) the profit generated by the business.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Bloom's : Remember
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

114) The income statement reports:

114) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) the assets, liabilities, and stockholders' equity of a company.
B) cumulative earnings that have not been distributed to stockholders.
C) the amount of profit distributed to owners during the period.
D) the amount of revenues earned and expenses incurred during the period.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Income Statement
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

115) The statement of cash flows shows the following information:
Cash provided by operating activities of $18,400
Cash used by investing activities of $6,500
Cash used by financing activities of $1,000
The beginning cash was $17,500. What is the amount of cash at the end of the period?

115) _____

A) $43,400.
B) $28,400.
C) $35,900.
D) $6,600.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Difficulty : 2 Medium
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

116) The statement of cash flows shows the following information:
Cash provided by operating activities of $33,000
Cash used by investing activities of $16,800
Cash used by financing activities of $5,800

The beginning cash was $28,000. What is the amount of cash at the end of the period?

116) _____

A) $83,600.
B) $61,000.
C) $17,600.
D) $38,400.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Difficulty : 2 Medium
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

117) Which of the following would not be reported as an asset on the balance sheet?

117) _____

A) Accounts Receivable
B) Supplies
C) Retained Earnings
D) Cash

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

118) Which of the following would not be reported as a liability on the balance sheet?

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

118) _____

A) Accounts Payable
B) Common Stock
C) Notes Payable
D) Salaries and Wages Payable

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

119) Robin Hood's statement of cash flows contained the following information:
Cash flows from operating activities in the amount of $29,800
Cash flows from investing activities in the amount of $30,800
Cash flows from (used by) financing activities in the amount of ($44,200)
What was Robin Hood's change in cash for the period?

119) _____

A) $13,400 increase
B) $16,400 decrease
C) $13,400 decrease
D) $16,400 increase

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

120) Robin Hood's statement of cash flows contained the following information:
Cash flows from operating activities in the amount of $34,800
Cash flows from investing activities in the amount of $36,000
Cash flows from (used by) financing activities in the amount of ($54,000)

What was Robin Hood's change in cash for the period?

120) _____

A) $16,800 increase
B) $18,000 increase
C) $16,800 decrease
D) $18,000 decrease

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

121) In the current period, Andrew, Incorporated recorded Sales Revenue of $100,000 from sales of goods to customers who agreed to pay later. In the next period, Andrew received payment from customers of $90,000. Which of the following statements is correct?

121) _____

A) Revenue for the current period is $90,000.
B) Accounts Receivable at the end of the current period is $100,000.
C) Accounts Payable at the end of the current period is $10,000.
D) Expenses for next period will increase by $10,000.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Difficulty : 2 Medium
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

122) Investing activities on the statement of cash flows arise from transactions:

122) _____

A) with lenders, borrowing and repaying cash.
B) with stockholders, selling company stock and paying dividends.
C) directly related to running the business to earn profits.
D) related to buying or selling productive resources with long lives.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

123) The separate entity assumption requires that:

123) _____

A) financial information depicts the economic substance of the business activities.
B) financial reports of a business are assumed to include the results of only that business's activities.
C) the results of business activities are reported in an appropriate monetary unit.
D) financial information can be compared across businesses because similar accounting methods have been applied.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : The Basic Accounting Equation
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

124) Assets reported on the balance sheet include:

124) _____

A) Accounts Receivable, Sales Revenue, and Cash.
B) Equipment, Supplies Expense, and Cash.
C) Accounts Payable, Retained Earnings, and Cash.
D) Accounts Receivable, Equipment, and Cash.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Bloom's : Remember
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

125) Liabilities reported on the balance sheet include:

125) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) Accounts Payable, Notes Payable, and Common Stock.
B) Accounts Receivable, Supplies Expense, and Retained Earnings.
C) Accounts Payable, Notes Payable, and Salaries and Wages Payable.
D) Common Stock, Retained Earnings, and Notes Payable.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

126) Which of the following statements about financial statements is not correct?

126) _____

A) Cash flows from financing activities would appear on the Statement of Cash Flows.
B) Dividends would appear on the Statement of Retained Earnings.
C) Assets would appear on the Income Statement.
D) Revenues would appear on the Income Statement.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

127) Which of the following statements about financial statement information is correct?
127) _____

A) If a company has total revenues of $80,000, total expenses of $50,000 and dividends of $10,000, they will have net income of $20,000.
B) A company with total stockholders' equity of $45,000 and total assets of $75,000 must have total liabilities of $120,000.
C) A company with liabilities of $80,000 and stockholders' equity of $50,000 will have assets of $30,000.
D) A company with total stockholders' equity of $120,000 and common stock of $75,000 must have total retained earnings of $45,000.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

128) The income statement would report the amount of:

128) _____

A) cash at the end of the year.
B) supplies used up during the current year.
C) dividends distributed to owners during the current year.
D) unpaid employee wages at the end of the year.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Income Statement
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

129) Which transaction would be reported on the income statement for the current year?

129) _____

A) The revenue earned from selling goods in the current year to customers who have not yet paid for those goods (that is, they have promised to pay for those goods next year).
B) The amount of cash received from customers this year as payment for goods that were sold to those customers last year.
C) The proceeds from a borrowing from the bank that was to be used to finance business activities during the current year.
D) The proceeds from the issuance of common stock to owners that was to be used to finance business activities during the current year.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : Exclude LearnSmart
Topic : Income Statement
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

130) The amount of beginning retained earnings is equal to the:

130) _____

A) beginning retained earnings of the prior year.
B) ending retained earnings of the prior year.
C) beginning retained earnings of the next year.
D) ending retained earnings of the next year.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Critical Thinking
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
Topic : Statement of Retained Earnings

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

131) Cape Company started its business this year. For this year, it had revenues of $240,000, expenses of $180,000 and cash flows from operating activities of $48,000, and paid dividends of $6,000. What is the amount of Retained Earnings at the end of Cape's first year of operations?

131) _____

A) $42,000
B) $48,000
C) $54,000
D) $114,000

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Difficulty : 3 Hard
AICPA : BB Industry
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

132) Which of the following would appear in the cash flows from operating activities section of the statement of cash flows?

132) _____

A) Cash paid to suppliers and employees
B) Cash paid to purchase equipment
C) Cash paid on notes payable
D) Cash paid for dividends

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Bloom's : Remember
AICPA : BB Industry
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

133)

LARRY'S LOGGING EQUIPMENT, INCORPORATED
Statement of Cash Flows
For the Year Ended December 31, Year 3

Cash flows from operating activities		
Cash collected from customers	A	$ 24,000
Cash paid to suppliers and employees	B	(14,000)
Cash paid for other operating activities	C	Unknown
Net cash flow from operating activities	D	$ 10,000
Cash flows from investing activities		
Cash paid to purchase equipment and other assets	E	(90,000)
Cash received from selling equipment and other assets	F	Unknown
Net cash flow from (used by) investing activities	G	Unknown
Cash flows from financing activities		
Cash paid on notes payable	H	(64,000)
Cash paid for dividends	I	(20,000)
Net cash flow from (used by) financing activities	J	Unknown
Net change in cash during the year	K	74,000
Beginning cash, January 1, Year 3	L	Unknown
Ending cash, December 31, Year 3	M	244,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

What amount is represented by letter C in the statement of cash flows?

133) _____

A) $28,000
B) $20,000
C) ($28,000)
D) $0

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

134)

LARRY'S LOGGING EQUIPMENT, INCORPORATED
Statement of Cash Flows
For the Year Ended December 31, Year 3

Cash flows from operating activities		
Cash collected from customers	A	$ 24,000
Cash paid to suppliers and employees	B	(14,000)
Cash paid for other operating activities	C	Unknown
Net cash flow from operating activities	D	$ 10,000
Cash flows from investing activities		
Cash paid to purchase equipment and other assets	E	(90,000)
Cash received from selling equipment and other	F	Unknown

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

assets		
Net cash flow from (used by) investing activities	G	Unknown
Cash flows from financing activities		
Cash paid on notes payable	H	(64,000)
Cash paid for dividends	I	(20,000)
Net cash flow from (used by) financing activities	J	Unknown
Net change in cash during the year	K	74,000
Beginning cash, January 1, Year 3	L	Unknown
Ending cash, December 31, Year 3	M	244,000

What amount is represented by letter J in the statement of cash flows?

134) _____

A) ($84,000)
B) $84,000
C) ($4,000)
D) $44,000

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

135)

LARRY'S LOGGING EQUIPMENT, INCORPORATED
Statement of Cash Flows

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

For the Year Ended December 31, Year 3

Cash flows from operating activities		
Cash collected from customers	A	$ 24,000
Cash paid to suppliers and employees	B	(14,000)
Cash paid for other operating activities	C	Unknown
Net cash flow from operating activities	D	$ 10,000
Cash flows from investing activities		
Cash paid to purchase equipment and other assets	E	(90,000)
Cash received from selling equipment and other assets	F	Unknown
Net cash flow from (used by) investing activities	G	Unknown
Cash flows from financing activities		
Cash paid on notes payable	H	(64,000)
Cash paid for dividends	I	(20,000)
Net cash flow from (used by) financing activities	J	Unknown
Net change in cash during the year	K	74,000
Beginning cash, January 1, Year 3	L	Unknown
Ending cash, December 31, Year 3	M	244,000

What amount is represented by letter L in the statement of cash flows?

135) _____

A) $318,000
B) $170,000
C) ($170,000)
D) ($318,000)

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

136) Golden Enterprises started the year with the following: Assets $117,000; Liabilities $40,500; Common Stock $70,500; Retained Earnings $6,000. During the year, the company earned revenue of $6,200, all of which was received in cash, and incurred expenses of $3,600, all of which were unpaid as of the end of the year. In addition, the company paid dividends of $2,200 to owners. Assume no other activities occurred during the year.

The amount of Golden's net income for the year is:

136) _____

A) $2,200
B) $2,600
C) $3,600
D) $6,200

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

137) Golden Enterprises started the year with the following: Assets $50,000; Liabilities $15,000; Common Stock $30,000; Retained Earnings $5,000. During the year, the company earned revenue of $2,500, all of which was received in cash, and incurred expenses of $1,500, all of which were unpaid as of the end of the year. In addition, the company paid dividends of $500 to owners. Assume no other activities occurred during the year.

The amount of Golden's net income for the year is:

137) _____

A) $1,000
B) $500
C) $1,500
D) $2,500

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

138) Golden Enterprises started the year with the following: Assets $107,000; Liabilities $37,000; Common Stock $67,000; Retained Earnings $3,000. During the year, the company earned revenue of $5,700, all of which was received in cash, and incurred expenses of $3,350, all of which were unpaid as of the end of the year. In addition, the company paid dividends of $1,700 to owners. Assume no other activities occurred during the year.

The amount of Golden's retained earnings at the end of the year is:

138) _____

A) $5,350.
B) $3,650.
C) $1,700.
D) $8,700.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

139) Golden Enterprises started the year with the following: Assets $50,000; Liabilities $15,000; Common Stock $30,000; Retained Earnings $5,000. During the year, the company earned revenue of $2,500, all of which was received in cash, and incurred expenses of $1,500, all of which were unpaid as of the end of the year. In addition, the company paid dividends of $500 to owners. Assume no other activities occurred during the year.

The amount of Golden's retained earnings at the end of the year is:

139) _____

A) $7,500.
B) $5,500.
C) $6,000.
D) $500.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

140) Golden Enterprises started the year with the following: Assets $121,000; Liabilities $41,500; Common Stock $71,500; Retained Earnings $8,000. During the year, the company earned revenue of $6,400, all of which was received in cash, and incurred expenses of $3,700, all of which were unpaid as of the end of the year. In addition, the company paid dividends of $2,400 to owners. Assume no other activities occurred during the year.

The amount of Golden's liabilities at the end of the year is:

140) _____

A) $44,200.
B) $38,800.
C) $41,500.
D) $45,200.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Difficulty : 3 Hard
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

141) Golden Enterprises started the year with the following: Assets $50,000; Liabilities $15,000; Common Stock $30,000; Retained Earnings $5,000. During the year, the company earned revenue of $2,500, all of which was received in cash, and incurred expenses of $1,500, all of which were unpaid as of the end of the year. In addition, the company paid dividends of $500 to owners. Assume no other activities occurred during the year.

The amount of Golden's liabilities at the end of the year is:

141) _____

A) $15,000.
B) $16,500.
C) $14,000.
D) $16,000.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Difficulty : 3 Hard
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

142) Golden Enterprises started the year with the following: Assets $113,000; Liabilities $39,500; Common Stock $69,500; Retained Earnings $4,000. During the year, the company earned revenue of $6,000, all of which was received in cash, and incurred expenses of $3,500, all of which were unpaid as of the end of the year. In addition, the company paid dividends of $2,000 to owners. Assume no other activities occurred during the year.

The amount of Golden's assets at the end of the year is:

142) _____

A) $121,500.
B) $117,000.
C) $119,000.
D) $122,500.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Difficulty : 3 Hard
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

143) Golden Enterprises started the year with the following: Assets $50,000; Liabilities $15,000; Common Stock $30,000; Retained Earnings $5,000. During the year, the company earned revenue of $2,500, all of which was received in cash, and incurred expenses of $1,500, all of which were unpaid as of the end of the year. In addition, the company paid dividends of $500 to owners. Assume no other activities occurred during the year.

The amount of Golden's assets at the end of the year is:

143) _____

A) $52,500.
B) $54,000.
C) $52,000.
D) $53,500.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Difficulty : 3 Hard
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

144) A company's financial records at the end of the year included the following amounts:

Cash	$ 71,200
Accounts Receivable	29,200
Supplies	5,200
Accounts Payable	11,200
Notes Payable	5,600
Retained Earnings, beginning of year	18,200
Common Stock	52,000
Service Revenue	45,200
Wages Expense	9,200
Advertising Expense	6,200
Rent Expense	11,200

What is the amount of net income on the Income Statement for the year?

144) _____

A) $36,800
B) $91,000
C) $27,800
D) $18,600

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Income Statement
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

145) A company's financial records at the end of the year included the following amounts:

Cash	$ 70,000
Accounts Receivable	28,000
Supplies	4,000
Accounts Payable	10,000
Notes Payable	5,000
Retained Earnings, beginning of year	17,000
Common Stock	40,000
Service Revenue	53,000
Wages Expense	8,000
Advertising Expense	5,000
Rent Expense	10,000

What is the amount of net income on the Income Statement for the year?

145) _____

A) $30,000
B) $38,000
C) $88,000
D) $47,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Income Statement
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

146) A company's financial records at the end of the year included the following amounts:

Cash	$ 70,200
Accounts Receivable	28,200
Supplies	4,200
Accounts Payable	10,200
Notes Payable	5,100
Retained Earnings, beginning of year	17,200
Common Stock	42,000
Service Revenue	51,700
Wages Expense	8,200
Advertising Expense	5,200
Rent Expense	10,200

What is the amount of total assets to be reported on the Balance Sheet at the end of the year?
146) _____

A) $112,800
B) $102,600
C) $119,800
D) $154,300

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

147) A company's financial records at the end of the year included the following amounts:

Cash	$ 70,000
Accounts Receivable	28,000
Supplies	4,000
Accounts Payable	10,000
Notes Payable	5,000
Retained Earnings, beginning of year	17,000
Common Stock	40,000
Service Revenue	53,000
Wages Expense	8,000
Advertising Expense	5,000
Rent Expense	10,000

What is the amount of total assets to be reported on the Balance Sheet at the end of the year?

147) _____

A) $112,000
B) $102,000
C) $119,000
D) $155,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

148) A company's financial records at the end of the year included the following amounts:

Cash	$ 70,000
Accounts Receivable	28,000
Supplies	4,000
Accounts Payable	10,000
Notes Payable	5,000
Common Stock	40,000
Retained Earnings, beginning of year	17,000
Service Revenue	53,000
Wages Expense	8,000
Advertising Expense	5,000
Rent Expense	10,000

What is the amount of total stockholders' equity that would be reported on the Balance Sheet at the end of the year?

148) _____

A) $102,000
B) $87,000
C) $30,000
D) $57,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Difficulty : 3 Hard
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

149) A company's financial records at the end of the year included the following amounts:

Cash	$ 70,000
Accounts Receivable	28,000
Supplies	4,000
Accounts Payable	10,000
Notes Payable	5,000
Common Stock	40,000
Retained Earnings, beginning of year	17,000
Service Revenue	53,000
Wages Expense	8,000
Advertising Expense	5,000
Rent Expense	10,000

What is the amount of total stockholders' equity that would be reported on the Balance Sheet at the end of the year?

149) _____

A) $30,000
B) $57,000
C) $87,000
D) $102,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Difficulty : 3 Hard
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

150) Puffin Company began the year with assets of $117,000 and liabilities of $83,500. During the year assets increased by $15,400 and liabilities decreased by $10,700.

What is the amount of Puffin's stockholders' equity at the beginning of the year?

150) _____

A) $113,000
B) $117,000
C) $101,600
D) $33,500

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

151) Puffin Company began the year with assets of $120,000 and liabilities of $90,000. During the year assets increased by $14,400 and liabilities decreased by $10,800.

What is the amount of Puffin's stockholders' equity at the beginning of the year?

151) _____

A) $0
B) $30,000
C) $210,000
D) $120,000

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

152) Puffin Company began the year with assets of $100,000 and liabilities of $75,000. During the year assets increased by $12,000 and liabilities decreased by $9,000.

What is the amount of the change in Puffin's stockholders' equity during the year?

152) _____

A) $3,000 increase
B) $21,000 increase
C) $3,000 decrease
D) $21,000 decrease

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Difficulty : 2 Medium
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

153) Puffin Company began the year with assets of $120,000 and liabilities of $90,000. During the year assets increased by $14,400 and liabilities decreased by $10,800.

What is the amount of the change in Puffin's stockholders' equity during the year?

153) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) $3,600 increase
B) $25,200 increase
C) $25,200 decrease
D) $3,600 decrease

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Difficulty : 2 Medium
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

154) The net income for Year 1 (the first year of operations for the company) was $21,500 and dividends of $12,750 were paid. In Year 2, the company reported net income of $35,500 and paid dividends of $5,750. At the end of Year 1, the company had total assets of $165,000. At the end of Year 2, the company had total assets of $255,000.

What was the amount of retained earnings at the end of Year 1?

154) _____

A) $21,500
B) $19,300
C) $8,750
D) $17,900

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

155) The net income for Year 1 (the first year of operations for the company) was $20,000 and dividends of $12,000 were paid. In Year 2, the company reported net income of $34,000 and paid dividends of $5,000. At the end of Year 1, the company had total assets of $150,000. At the end of Year 2, the company had total assets of $240,000.

What was the amount of retained earnings at the end of Year 1?

155) _____

A) $20,000
B) $8,000
C) $150,000
D) $155,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

156) The net income for Year 1 (the first year of operations for the company) was $20,900 and dividends of $12,450 were paid. In Year 2, the company reported net income of $34,900 and paid dividends of $5,450. At the end of Year 1, the company had total assets of $159,000. At the end of Year 2, the company had total assets of $249,000.

What is the amount of retained earnings at the end of Year 2?

156) _____

A) $37,900
B) $139,150
C) $29,450
D) $129,150

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

157) The net income for Year 1 (the first year of operations for the company) was $20,000 and dividends of $12,000 were paid. In Year 2, the company reported net income of $34,000 and paid dividends of $5,000. At the end of Year 1, the company had total assets of $150,000. At the end of Year 2, the company had total assets of $240,000.

What is the amount of retained earnings at the end of Year 2?

157) _____

A) $37,000
B) $240,000
C) $29,000
D) $269,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

158) The following accounts are taken from the December 31, Year 4 financial statements of a company.

Accounts Payable	$ 2,075
Accounts Receivable	800
Selling & Administrative Expenses	2,500
Cash	2,200
Common Stock	2,000
Dividends	1,900
Income Tax Expense	400
Interest Expense	75
Other Expenses	500
Notes Payable	5,000
Other Assets	2,500
Other Liabilities	3,000
Other Operating Expenses	2,000
Other Revenue	300
Property and Equipment	11,000
Retained Earnings, December 31, Year 3	4,800
Salaries and Wages Expense	3,000
Supplies	300
Service Revenue	10,000

What is the amount of net income for Year 4?

158) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) $3,825
B) $1,825
C) $10,300
D) $5,625

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Difficulty : 3 Hard
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

159) The following accounts are taken from the December 31, Year 4 financial statements of a company.

Accounts Payable	$ 2,075
Accounts Receivable	800
Selling & Administrative Expenses	2,500
Cash	2,200
Common Stock	2,000
Dividends	1,900
Income Tax Expense	400
Interest Expense	75
Other Expenses	500
Notes Payable	5,000
Other Assets	2,500
Other Liabilities	3,000
Other Operating Expenses	2,000
Other Revenue	300
Property and Equipment	11,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Retained Earnings, December 31, Year 3	4,800
Salaries and Wages Expense	3,000
Supplies	300
Service Revenue	10,000

What is the amount of total assets at the end of Year 4?

159) _____

A) $16,800
B) $16,500
C) $21,600
D) $23,500

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

160) The following accounts are taken from the December 31, Year 4 financial statements of a company.

Accounts Payable	$ 2,075
Accounts Receivable	800
Selling & Administrative Expenses	2,500
Cash	2,200
Common Stock	2,000
Dividends	1,900
Income Tax Expense	400
Interest Expense	75

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Other Expenses	500
Notes Payable	5,000
Other Assets	2,500
Other Liabilities	3,000
Other Operating Expenses	2,000
Other Revenue	300
Property and Equipment	11,000
Retained Earnings, December 31, Year 3	4,800
Salaries and Wages Expense	3,000
Supplies	300
Service Revenue	10,000

What is the amount of total liabilities at the end of Year?

160) _____

A) $7,075
B) $10,075
C) $9,075
D) $12,975

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

161) The following accounts are taken from the December 31, Year 4 financial statements of a company.

Accounts Payable	$ 2,075

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Accounts Receivable	800
Selling & Administrative Expenses	2,500
Cash	2,200
Common Stock	2,000
Dividends	1,900
Income Tax Expense	400
Interest Expense	75
Other Expenses	500
Notes Payable	5,000
Other Assets	2,500
Other Liabilities	3,000
Other Operating Expenses	2,000
Other Revenue	300
Property and Equipment	11,000
Retained Earnings, December 31, Year 3	4,800
Salaries and Wages Expense	3,000
Supplies	300
Service Revenue	10,000

What is the amount of retained earnings on the Balance Sheet at the end of Year 4?

161) _____

A) $7,725
B) $6,725
C) $4,800
D) $4,725

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Difficulty : 3 Hard
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

162) Blue Fin started the current year with assets of $719,000, liabilities of $359,500 and common stock of $219,000. During the current year, assets increased by $419,000, liabilities decreased by $59,500 and common stock increased by $294,000. There was no payment of dividends to owners during the year.

Based on this information, what was the amount of Blue Fin's retained earnings at the beginning of the year?

162) _____

A) $65,500
B) $578,500
C) $478,500
D) $140,500

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Difficulty : 2 Medium
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

163) Blue Fin started the current year with assets of $840,000, liabilities of $420,000 and common stock of $240,000. During the current year, assets increased by $480,000, liabilities decreased by $60,000 and common stock increased by $330,000. There was no payment of dividends to owners during the year.

Based on this information, what was the amount of Blue Fin's retained earnings at the beginning of the year?

163) _____

A) $180,000
B) $1,020,000
C) $660,000
D) $420,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Difficulty : 2 Medium
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

164) Blue Fin started the current year with assets of $707,000, liabilities of $353,500 and common stock of $207,000. During the current year, assets increased by $407,000, liabilities decreased by $53,500 and common stock increased by $282,000. There was no payment of dividends to owners during the year.

What was the amount of Blue Fin's change in total stockholders' equity during the year?

164) _____

A) $460,500 increase
B) $207,000 increase
C) $353,500 increase
D) $253,500 increase

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Difficulty : 2 Medium
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

165) Blue Fin started the current year with assets of $840,000, liabilities of $420,000 and common stock of $240,000. During the current year, assets increased by $480,000, liabilities decreased by $60,000 and common stock increased by $330,000. There was no payment of dividends to owners during the year.

What was the amount of Blue Fin's change in total stockholders' equity during the year?

165) _____

A) $420,000 increase
B) $540,000 increase
C) $300,000 increase
D) $240,000 increase

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Difficulty : 2 Medium
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

166) Blue Fin started the current year with assets of $702,000, liabilities of $351,000 and common stock of $202,000. During the current year, assets increased by $402,000, liabilities decreased by $51,000 and common stock increased by $277,000. There was no payment of dividends to owners during the year.

What was the amount of Blue Fin's net income for the year?

166) _____

A) $226,000
B) $453,000
C) $176,000
D) $277,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Difficulty : 3 Hard
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Gradable : automatic
Type : Algorithmic

167) Blue Fin started the current year with assets of $840,000, liabilities of $420,000 and common stock of $240,000. During the current year, assets increased by $480,000, liabilities decreased by $60,000 and common stock increased by $330,000. There was no payment of dividends to owners during the year.

What was the amount of Blue Fin's net income for the year?

167) _____

A) $270,000
B) $330,000
C) $210,000
D) $540,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Apply
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Difficulty : 3 Hard
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

168) The Statement of Cash Flows for the current year contained the following:

Cash received from customers	$ 10,000
Cash used for purchase of equipment	40,000
Cash received for stock issuance	30,000
Cash used for payments to suppliers & employees	5,000
Cash dividends paid to stockholders	1,000
Cash borrowed from bank	20,000

The change in cash for the current year was an increase of $14,000.
What was the amount of cash flows from (used in) operating activities?

168) _____

A) $5,000
B) $35,000
C) $25,000
D) $4,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

169) The Statement of Cash Flows for the current year contained the following:

Cash received from customers	$ 10,000
Cash used for purchase of equipment	40,000
Cash received for stock issuance	30,000
Cash used for payments to suppliers & employees	5,000
Cash dividends paid to stockholders	1,000
Cash borrowed from bank	20,000

The change in cash for the current year was an increase of $14,000.
What was the amount of cash flows from (used in) investing activities?

169) _____

A) ($1,000)
B) ($40,000)
C) ($10,000)
D) $10,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

170) The Statement of Cash Flows for the current year contained the following:

Cash received from customers	$ 10,000
Cash used for purchase of equipment	40,000
Cash received for stock issuance	30,000
Cash used for payments to suppliers & employees	5,000
Cash dividends paid to stockholders	1,000
Cash borrowed from bank	20,000

The change in cash for the current year was an increase of $14,000.
What is the amount of cash flows from (used in) financing activities?

170) _____

A) ($40,000)
B) $5,000
C) $49,000
D) $10,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Apply
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

171)

ANONYMOUS, INCORPORATED
Balance Sheet
September 30, Year 3

Assets	
Cash	$ 1,568,000
Accounts Receivable	310,500
Inventories	208,200
Property, Plant & Equipment	391,600
Other Assets	869,400
Total Assets	$ 3,347,700
Liabilities	
Accounts Payable	$ 1,439,200
Notes Payable	Unknown
Total Liabilities	Unknown
Stockholders' Equity	
Common Stock	1,263,600
Retained Earnings	207,100
Total Stockholders' Equity	1,470,700
Total Liabilities & Stockholders' Equity	$ 3,347,700

What is the missing amount for Total Liabilities?

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

171) _____

A) $3,347,700
B) $1,439,200
C) $1,470,700
D) $1,877,000

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Difficulty : 2 Medium
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Bloom's : Analyze
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

172)

ANONYMOUS, INCORPORATED
Balance Sheet
September 30, Year 3

Assets	
Cash	$ 1,568,000
Accounts Receivable	310,500
Inventories	208,200
Property, Plant & Equipment	391,600
Other Assets	869,400
Total Assets	$ 3,347,700
Liabilities	
Accounts Payable	$ 1,439,200

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Notes Payable	Unknown
Total Liabilities	Unknown
Stockholders' Equity	
Common Stock	1,263,600
Retained Earnings	207,100
Total Stockholders' Equity	1,470,700
Total Liabilities & Stockholders' Equity	$ 3,347,700

What is the missing amount for Notes Payable?

172) _____

A) $207,100
B) $437,800
C) $1,439,200
D) $3,347,700

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Topic : The Basic Accounting Equation
Difficulty : 3 Hard
Bloom's : Analyze
AACSB : Knowledge Application
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

173)

ANONYMOUS, INCORPORATED
Balance Sheet
September 30, Year 3

Assets

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Cash	$ 1,568,000
Accounts Receivable	310,500
Inventories	208,200
Property, Plant & Equipment	391,600
Other Assets	869,400
Total Assets	$ 3,347,700
Liabilities	
Accounts Payable	$ 1,439,200
Notes Payable	Unknown
Total Liabilities	Unknown
Stockholders' Equity	
Common Stock	1,263,600
Retained Earnings	207,100
Total Stockholders' Equity	1,470,700
Total Liabilities & Stockholders' Equity	$ 3,347,700

Which one of the following statements regarding the balance sheet for Anonymous Incorporated is correct?

173) _____

A) Retained Earnings is misclassified; it should be reported in the Assets section of the balance sheet.

B) The $207,100 shown as Retained Earnings on the balance sheet represents the cumulative amount of dividends distributed.

C) Anonymous, Incorporated is owed $310,500 from customers who have purchased goods or services from the company but have not yet paid for them.

D) The amount of retained earnings reported on this balance sheet represents the retained earnings at the beginning of the year.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Bloom's : Analyze
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

174) Karen's Bakery received $480 of sugar and flour from its supplier and promised to pay for it next month. Karen's Bakery should report:

174) _____

A) Accounts Payable of $480 on its balance sheet.
B) Accounts Payable of $480 on its income statement.
C) Accounts Receivable of $480 on its balance sheet.
D) nothing, because cash hasn't been paid yet.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

175) Which of these appears on both the income statement and the statement of retained earnings?

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

175) _____

A) Cash
B) Revenues
C) Expenses
D) Net income

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Bloom's : Remember
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

176) Lolly's Sparkling Waters delivered $380 of drinks to the local high school but hasn't received payment yet. Lolly's Sparkling Waters will report:

176) _____

A) nothing, because payment hasn't been received yet.
B) Cash of $380, because the school will pay for the drinks eventually.
C) Accounts payable of $380.
D) Accounts receivable of $380.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
Difficulty : 2 Medium
AICPA : FN Measurement
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

177) Accounts receivable are:

177) _____

A) amounts the company expects to pay for previous credit sales.
B) amounts the company expects to collect for previous credit sales.
C) reported in the liabilities section of the balance sheet.
D) reported on the income statement.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Bloom's : Remember
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

178) If a company reports a negative dollar amount under cash flows from investing activities, a possible explanation is that:

178) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) it has purchased a significant amount of equipment.
B) its expenses are greater than its revenues.
C) the market value of its stock has gone down.
D) it has paid a large cash dividend to its stockholders.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Bloom's : Remember
AICPA : BB Industry
Source : LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

179) A company might report negative cash flows from financing activities when:

179) _____

A) it has purchased a significant amount of equipment.
B) the market value of its stock has gone down.
C) it has paid a cash dividend to its stockholders.
D) it has borrowed money from a bank during the year.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Bloom's : Remember
AICPA : BB Industry
Source : LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

180) Borrowing from a bank is a(n):

180) _____

A) operating activity.
B) investing activity.
C) financing activity.
D) expense.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Bloom's : Remember
AICPA : BB Industry
Source : LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

181) Paying a cash dividend to stockholders is a(n):

181) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) operating activity.
B) investing activity.
C) financing activity.
D) expense.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Bloom's : Remember
AICPA : BB Industry
Source : LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

182) Cash activity with stockholders and creditors, such as banks, are reported as cash flows from _____ activities on the statement of cash flows.

182) _____

A) financing
B) investing
C) operating
D) managing

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Bloom's : Remember
AICPA : BB Industry
Source : LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

183) Cash activity from the buying and selling of productive resources, such as land, buildings and equipment, are reported as cash flows from _____ activities on the statement of cash flows.

183) _____

A) investing
B) operating
C) financing
D) managing

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Bloom's : Remember
AICPA : BB Industry
Source : LearnSmart
Topic : Statement of Cash Flows
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

184) Ace Electronics employees have earned $10,000 during the current period but Ace has paid only $8,000 to date. Ace Electronics should report Salaries and Wages Expense of _____ on the income statement, Salaries and Wages Payable of _____ on the balance sheet, and a reduction in Cash of _____.

184) _____

A) $0; $10,000; $0
B) $8,000; $2,000; $0
C) $2,000; $2,000; $0
D) $10,000; $2,000; $8,000

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

185) Expenses appear on the:

185) _____

A) Statement of Retained Earnings.
B) Balance Sheet.
C) Income Statement.
D) Statement of Cash Flows.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Bloom's : Remember
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

186) The unit of measure assumption states that:

186) _____

A) results of business activities should be reported in an appropriate monetary unit.
B) assets should be recorded at cost.
C) a business's financial reports include only the activities of the business.
D) assets equal liabilities plus stockholders' equity.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
Bloom's : Remember
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

187)

ANONYMOUS, INCORPORATED

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Balance Sheet
September 30, Year 3

Assets	
Cash	$ 1,568,000
Accounts Receivable	310,500
Inventories	208,200
Property, Plant & Equipment	391,600
Other Assets	869,400
Total Assets	$ 3,347,700
Liabilities	
Accounts Payable	$ 1,439,200
Notes Payable	Unknown
Total Liabilities	Unknown
Stockholders' Equity	
Common Stock	1,263,600
Retained Earnings	207,100
Total Stockholders' Equity	1,470,700
Total Liabilities & Stockholders' Equity	$ 3,347,700

As of September 30, Year 3, who provided more financing for Anonymous, Incorporated?

187) _____

A) Owners
B) Creditors
C) Both provided equal financing
D) Neither provided any financing

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Topic : Financial Statements
AICPA : BB Resource Management
Learning Objective : 01-03 Explain how financial statements are used by decision makers.
Topic : Using Financial Statements
Difficulty : 3 Hard
Bloom's : Analyze
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

188) Investors of a company increase their wealth by receiving dividends and by:

188) _____

A) receiving interest.
B) an increase in the market value of their stock.
C) studying the company's annual financial statements.
D) insider trading.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
Bloom's : Remember
AICPA : FN Decision Making
Learning Objective : 01-03 Explain how financial statements are used by decision makers.
Topic : Using Financial Statements
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

189) A creditor might look at a company's financial statements to determine if the:

189) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) company is likely to have the resources to repay its debts.
B) company's stock price is likely to fall, signaling a good time to sell.
C) company's stock price is likely to rise, signaling a good time to buy.
D) company pays a dividend.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
AICPA : BB Resource Management
AICPA : FN Decision Making
Learning Objective : 01-03 Explain how financial statements are used by decision makers.
Topic : Using Financial Statements
AACSB : Reflective Thinking
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

190) Certain aspects of the financial statements may have different relevance to investors and creditors. Which of the following types of information are each of these two parties most concerned with?

190) _____

A) Investors: Dividends; Creditors: Sufficient cash to make loan payments
B) Investors: Cash flows from investing activities; Creditors: Dividends
C) Investors: Sufficient cash to make loan payments; Creditors: Cash flows from investing activities
D) Investors: Sufficient cash to make loan payments; Creditors: Stock prices

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
Bloom's : Remember
AICPA : FN Decision Making
Learning Objective : 01-03 Explain how financial statements are used by decision makers.
Topic : Using Financial Statements
AICPA : BB Industry
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

191) Investors and creditors look at the balance sheet to see whether the company:

191) _____

A) is profitable.
B) can maintain its existing product line.
C) owns enough assets to pay all that it owes to creditors.
D) has had positive cash flows from operating activities.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-03 Explain how financial statements are used by decision makers.
Topic : Using Financial Statements
AICPA : BB Industry
Source : Exclude LearnSmart
Topic : Balance Sheet
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

192) A company's quarterly income statements show that in the last three quarters both Sales Revenue and Net Income have been falling. Given this information, which of the following conclusions drawn by users are valid?

192) _____

A) Creditors are likely to conclude that the risk of lending to the company is declining and might be willing to accept a lower interest rate on loans.

B) Investors are likely to conclude that the stock price is likely to rise, making the company more attractive as a potential investment.

C) Customers are likely to conclude that the company is struggling; therefore, it is permissible to take longer to pay amounts they owe to the company.

D) Owners may conclude that the company will be less likely to distribute dividends.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe various organizational forms and business decision makers.
Topic : Accounting for Business Decisions
AACSB : Analytical Thinking
AICPA : FN Decision Making
Learning Objective : 01-03 Explain how financial statements are used by decision makers.
Topic : Using Financial Statements
Difficulty : 3 Hard
Bloom's : Evaluate
AICPA : BB Critical Thinking
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

193) Which of the following statements about the use of financial statements is not correct?

193) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) When choosing between a company that pays steady dividends and one that retains its earnings to support future growth, investors will always choose the company that pays steady dividends.

B) Companies can develop reputations for honest financial reporting even when conveying bad news.

C) Trends in a company's net income from year to year can provide clues about its future earnings, which can help investors to decide whether to buy stock in the company.

D) Information in the notes to the financial statements can influence a user's interpretation of balance sheet and income statement information.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-03 Explain how financial statements are used by decision makers.
Topic : Using Financial Statements
AICPA : BB Critical Thinking
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

194) Investors are often interested in the amount of net income distributed as dividends. Where would investors look for this information in the company's annual report?

194) _____

A) Statement of Retained Earnings
B) Balance Sheet
C) Notes to the financial statements
D) Income Statement

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Learning Objective : 01-03 Explain how financial statements are used by decision makers.
Topic : Using Financial Statements
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

195) Creditors look at the balance sheet to see whether the company:

195) _____

A) is profitable.
B) owns enough assets to pay what it owes to creditors.
C) has had a positive cash flow from operations.
D) is paying sufficient dividends to stockholders.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s
Topic : Financial Statements
AICPA : BB Resource Management
Learning Objective : 01-03 Explain how financial statements are used by decision makers.
Topic : Using Financial Statements
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

196) Which of the following is not likely to be a consequence of fraudulent financial reporting?

196) _____

A) The company's stock price drops once the fraud is discovered.
B) Innocent accountants who work for the company's CPA firm lose their jobs.
C) Creditors recover 100% of amounts owed to them.
D) Employees lose their retirement savings.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
AICPA : BB Critical Thinking
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AACSB : Ethics
AICPA : FN Risk Analysis
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

197) When several parties or individuals can reach similar values in financial statements by using similar methods, the information is said to be:

197) _____

A) comparable.
B) understandable.
C) verifiable.
D) timely.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AICPA : BB Legal
Difficulty : 2 Medium
Bloom's : Remember
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AACSB : Communication
AICPA : FN Research
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

198) Which of the following requires that its members adhere to a Code of Professional Conduct?

198) _____

A) SEC
B) FASB
C) PCAOB
D) AICPA

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Remember
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AACSB : Ethics
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

199) In the U.S., Generally Accepted Accounting Principles (GAAP) are established by the:

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

199) _____

A) International Accounting Standards Board (IASB).
B) Public Company Accounting Oversight Board (PCAOB).
C) Financial Accounting Standards Board (FASB).
D) American Institute of Certified Public Accountants (AICPA).

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Topic : Financial Statements
Bloom's : Remember
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

200) In the U.S., public companies must be audited by independent auditors using rules approved by the:

200) _____

A) International Accounting Standards Board (IASB).
B) Public Company Accounting Oversight Board (PCAOB).
C) Financial Accounting Standards Board (FASB).
D) American Institute of Certified Public Accountants (AICPA).

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Remember
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

201) Which of the following actions would be considered unethical?

201) _____

A) A company does not distribute any of its profits back to the stockholders.
B) A company rounds the revenues and expenses that it reports on the income statement.
C) A new accountant makes an unintentional mistake.
D) An employee receives a paycheck for double the amount due and does not report it to their employer.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AICPA : FN Decision Making
AACSB : Reflective Thinking
Bloom's : Evaluate
AICPA : BB Critical Thinking
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AACSB : Ethics
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

202) What would a user of financial statements learn from reading the auditors' report?

202) _____

A) Whether the financial statements present a fair picture of the company's financial results and are prepared in accordance with GAAP.

B) Whether or not it is a good time to purchase the stock.

C) How much the company plans to distribute as dividends.

D) Whether or not the company has plans for future expansion.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

203) To determine whether generally accepted accounting principles (GAAP) were followed in the preparation of financial statements, an examination of:

203) _____

A) tax documents would be performed by the IRS.

B) the company's accounting records would be performed by the SEC.

C) the financial statements and related documents would be performed by an independent auditor.

D) the financial statements and related documents would be performed by the FASB.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

204) Generally accepted accounting principles (GAAP) were (are) established by:

204) _____

A) an Italian monk in 1494.
B) the U.S. Congress and the SEC.
C) the PCAOB.
D) the FASB on an ongoing basis.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
AICPA : BB Resource Management
Bloom's : Remember
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

205) Which of the following statements concerning financial reporting is not correct?

205) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) Accounting rules in the U.S. are called GAAP.

B) Accounting rules developed by the IASB are called IFRS.

C) Both GAAP and IFRS share the same goal, which is to ensure useful information to users of financial statements.

D) There are no differences between the accounting rules developed by FASB and those developed by IASB.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AICPA : BB Global
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

206) What is the main goal of GAAP?

206) _____

A) To help ensure that financial decisions are made in a professional and ethical manner.

B) To establish standards that help to prevent and detect fraudulent acts by management.

C) To ensure that the financial information produced by companies is useful to existing and potential investors and other parties in decision making.

D) To oversee the stock exchanges and financial reporting by public companies in the United States.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Remember
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AICPA : BB Industry
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

207) Which of the following statements concerning financial reporting is correct?

207) _____

A) The FASB requires all financial decision makers to adhere to a code of professional conduct.

B) The Sarbanes-Oxley Act does not require businesses to maintain an audited system of internal control.

C) A fundamental characteristic of useful financial information is that it fully depicts the economic substance of business activities.

D) There is no attempt to eliminate the difference in accounting rules in the U.S. and elsewhere as this would prevent investors from comparing financial statements of companies from different countries.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

208) Faithful representation is a characteristic of external financial reporting that means:

208) _____

A) the financial reports of a business are assumed to include the results of only that business's activities.

B) financial information can be compared across businesses because similar accounting methods are applied.

C) the results of business activities are reported using an appropriate monetary unit.

D) financial information depicts the economic substance of business activities.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
AICPA : BB Resource Management
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

209) Relevance is an objective of external financial reporting that means:

209) _____

A) the financial reports of a business are assumed to include the results of only that business's activities.

B) financial information can be compared across businesses because similar accounting methods have been applied.

C) the financial information possesses a feature that allows it to influence a decision.

D) the financial information depicts the economic substance of business activities.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
AICPA : BB Resource Management
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

210) Financial statements are a key source of information useful to external users. The quality of relevance in financial information contributes to its usefulness. Along with relevance which of the following attributes is a primary element of useful financial information?

210) _____

A) Eloquence
B) Assets
C) Ethicality
D) Faithful representation

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Remember
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AICPA : BB Industry
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

211) According to Generally Accepted Accounting Principles, which of the following is not a characteristic of useful financial information?

211) _____

A) Comparable
B) Verifiable
C) Timely
D) Ethical

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : BB Legal
AICPA : FN Reporting
Bloom's : Remember
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

212) Which of the following statements about the accounting standards used in other countries is correct?

212) _____

A) U.S. GAAP is used worldwide.
B) IFRS are used by all countries.
C) More and more countries are using IFRS.
D) There are no plans to converge U.S. GAAP with IFRS.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AICPA : FN Reporting
Bloom's : Remember
AACSB : Reflective Thinking
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AICPA : BB Global
AACSB : Diversity
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

213) In a sense, _____ is to accountants and auditors what the criminal code is to lawyers and the public.

213) _____

A) the SEC
B) faithful representation
C) U.S. GAAP
D) the basic accounting equation

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Reporting
Difficulty : 3 Hard
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AICPA : BB Global
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

214) When faced with an ethical dilemma, an accountant should:

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

214) _____

A) identify who will be affected by the situation, identify and evaluate the alternative courses of action, and choose the alternative that is the most ethical.

B) report the matter to the SEC.

C) report the matter to the IRS.

D) resign.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : BB Legal
Bloom's : Remember
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AACSB : Ethics
AICPA : FN Research
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

215) The Sarbanes-Oxley Act is a set of laws established to:

215) _____

A) limit the amount of compensation received by executives in publicly traded companies.

B) strengthen corporate reporting in the United States.

C) enhance the conceptual framework of GAAP.

D) redefine the display of financial statements.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AICPA : BB Legal
Bloom's : Remember
AICPA : FN Decision Making
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AACSB : Knowledge Application
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

216) Characteristics that make information useful do not include:

216) _____

A) relevance.
B) detail.
C) consistency.
D) understandability.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Remember
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AICPA : BB Industry
Source : Exclude LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

217) Information that always makes a difference in a decision is:

217) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) cash based.
B) audited.
C) provided by GAAP.
D) relevant.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
Bloom's : Remember
AICPA : FN Decision Making
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

218) Who has primary responsibility for making sure that a company's financial statements follow GAAP?

218) _____

A) Management
B) Independent auditors (CPAs)
C) The Securities and Exchange Commission (SEC)
D) The Public Company Accounting Oversight Board (PCAOB)

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Remember
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

219) What do independent auditors provide for companies who hire them?

219) _____

A) Assurance that this year's financial statements are perfect
B) A guarantee that next year's operations will be profitable
C) Assurance that the financial statements follow Generally Accepted Accounting Principles
D) Assurance that the company's stock is a good investment

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Remember
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

220) The main goal of both U.S. GAAP and IFRS is to:

220) _____

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A) ensure that companies produce useful information for external users.
B) reduce the number of required financial statements.
C) prevent all fraud and ensure the amounts reported are 100% accurate.
D) ensure that companies become more profitable.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Remember
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

221) U.S. GAAP:

221) _____

A) is another term for IFRS.
B) are the accounting rules developed by the IASB for use in the United States.
C) is the oversight board that supervises auditors.
D) are the accounting rules developed by the FASB for use in the United States.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AACSB : Analytical Thinking
AICPA : FN Reporting
Bloom's : Remember
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AICPA : BB Industry
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

222) Which of the following is the set of laws enacted by the government to strengthen corporate reporting in response to the Enron, WorldCom and other frauds?

222) _____

A) Sarbanes-Oxley Act
B) Professional Code of Ethics
C) Internal Revenue Code
D) Securities and Exchange Commission Act

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AICPA : BB Legal
AICPA : FN Reporting
Bloom's : Remember
AACSB : Reflective Thinking
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
AACSB : Ethics
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

223) The Sarbanes-Oxley Act (SOX):

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

223) _____

A) outlines the code of professional ethics for accountants.
B) is a set of laws established to strengthen corporate reporting.
C) requires all publicly traded corporations to pay annual dividends.
D) is a set of laws auditors must follow.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AICPA : BB Legal
AICPA : FN Reporting
Bloom's : Remember
AACSB : Reflective Thinking
Learning Objective : 01-04 Describe factors that contribute to useful financial information.
Topic : Useful Financial Information
Source : LearnSmart
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Fundamentals of Financial Accounting 7th Edition by Phillips CH01B
Answer Key

Test name: CH01B

1) FALSE
Stockholders are the owners of a corporation.
2) FALSE
Most corporations start out as private companies and will apply to become public companies ("go public") if they need a lot of financing. Financing can also be acquired by borrowing from banks.
3) FALSE
Unlike sole proprietorships and partnerships, a corporation is a separate entity from both legal and accounting perspectives. This means that a corporation, not its owners, is legally responsible for its own taxes and debts.
4) TRUE
Cash flows from running the business, including cash paid for wages, are operating activities on the statement of cash flows.
5) TRUE
On the statement of cash flows, borrowing and repaying bank loans are financing activities.
6) TRUE
Buying supplies and paying salaries and wages are normal operating costs on the statement of cash flows.
7) TRUE
Assets = Liabilities + Stockholders' Equity; therefore, Assets − Liabilities = Stockholders' Equity
8) FALSE

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Formal debt, evidenced by a written contract or note, is reported as Notes Payable.

9) TRUE

Large businesses often round the numbers on their financial statements to the nearest thousand or million.

10) TRUE

An account with the word "payable" in its title is a liability.

11) FALSE

The income statement reports revenues and expenses. Dividends are not expenses. Rather, dividends are an optional distribution of earnings to stockholders, approved by the company's board of directors, and are presented on the statement of retained earnings.

12) FALSE

Net income is not the same as cash flows from operating activities. Net income is not necessarily equal to cash because revenues are recorded when the goods or services are provided to customers and expenses when incurred regardless of when cash is received or paid.

13) FALSE

Revenues are reported on the income statement when goods or services are provided to customers. It's quite common for a business to provide goods or services to customers, but not collect cash from them until a later time period.

14) FALSE

There is no GAAP requirement that companies must pay dividends. Dividends are an optional distribution of earnings to stockholders, approved by the company's board of directors.

15) FALSE

Common Stock is a component of stockholders' equity.

16) TRUE

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Investors expect a return on their investment in the company, and as a result, investors look closely at the company's ability to generate profits.

17) FALSE

There are two sources of potential return on an investment in stock: the dividend and an increase in the stock price.

18) FALSE

In order to be judged useful, financial information must have two fundamental characteristics: relevance and faithful representation.

19) FALSE

Currently, the Financial Accounting Standards Board (FASB) has the primary responsibility for setting the underlying rules of accounting in the United States. The Securities and Exchange Commission (SEC) is responsible for the functioning of stock markets.

20) FALSE

SOX requires top managers of public companies to sign a report certifying their responsibilities for the financial statements, maintain an audited system of internal controls to ensure accuracy in the accounting reports, and maintain an independent committee to oversee top management and ensure that they cooperate with auditors. SOX does not require a certification that states the financial statements are free from error.

21) B

The owners of a company's stock (stockholders) can buy and sell stock privately or publicly on a stock exchange if the company has legally registered to do so. Most corporations start out as private companies and will apply to become public companies ("go public").

22) C

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A corporation, not its owners, is legally responsible for its own taxes and debts. In sole proprietorships and partnerships, the owners are taxed on the profits of the business. A sole proprietorship is considered a part of the owner's life, with all profits becoming part of the taxable income of the owner. A partnership is similar to a sole proprietorship in this regard, except that the taxes are the responsibility of two or more owners instead of just one.

23) D

Sole proprietorships are easy to establish, and the business is considered a part of the owner's life with all profits and losses becoming part of the taxable income of the owner. However, a sole proprietor is personally liable for all debts of the business.

24) C

External users of financial accounting reports include creditors, investors, directors, and government. Managers are considered internal users.

25) B

Accounting is an information system designed by an organization to capture (analyze, record, and summarize) the activities affecting its financial condition and performance and then report the results to decision makers, both inside and outside the organization.

26) B

Creditors include suppliers, banks, and anyone to whom money is owed.

27) A

Unlike sole proprietorships and partnerships, a corporation is a separate entity from both legal and accounting perspectives. This means that a corporation, not its owners, is legally responsible for its own taxes and debts.

28) A

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A partnership is similar to a sole proprietorship, except that profits, taxes, and legal liability are the responsibility of two or more owners instead of just one.

29) C

Managerial accounting reports are made available only to the company's employees (internal users) so that they can make business decisions related to production, marketing, human resources, and finance.

30) B

Directors are elected to oversee a company's managers and ensure their decisions are in the best financial interest of stockholders.

31) A

The main goal of an accounting system is to capture information about a business so that it can be reported to decision makers. Having an accounting system does not guarantee that the company will earn a profit, nor does it provide financing for a company.

32) B

Financing can be provided by creditors (classified as liabilities) or owners (classified as stockholders' equity).

33) D

As set forth in the separate entity assumption, the financial reports of a business are assumed to include the results of only that business's activities. A company's financial statements do not contain information about the company's owners.

34) B

A sole proprietorship is the form of business owned (and usually operated) by one individual.

35) C

Internal users include managers, supervisors, etc. External users include creditors, investors, etc.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

36) C

Financial accounting reports, called financial statements, are prepared periodically to provide information to people not employed by the business.

37) D

Unlike sole proprietorships and partnerships, a corporation is a separate entity from both legal and accounting perspectives. This means that a corporation, not its owners, is legally responsible for its own taxes and debts.

38) A

A share of the corporation's ownership is indicated on a legal document called a stock certificate.

39) B

A key difference between a corporation and a partnership is that the corporation is a separate entity from both a legal and accounting perspective. This means that a corporation (not its shareholders) is legally responsible for its own taxes and debts; the owners of a partnership have this responsibility.

40) D

Assets = Liabilities + Stockholders' Equity

Stockholders' Equity = Assets− Liabilities

41) D

Net income is calculated as revenues minus expenses. Dividends are not an expense of doing business and are not involved in determining the amount of net income on the income statement. Assets and liabilities are reported on the balance sheet.

42) B

Expenses are reported on the income statement when incurred (that is, when the related goods or services are used) regardless of when the cash is paid.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

43) D

The business itself, not the stockholders who own the business, is viewed as owning the assets and owing the liabilities. This is called the separate entity assumption, which requires that a business's financial reports include only the activities of the business and not the personal dealings of its stockholders.

44) A

The business itself, not the stockholders who own the business, is viewed as owning the assets and owing the liabilities. This is called the separate entity assumption, which requires that a business's financial reports include only the activities of the business and not the personal dealings of its stockholders.

45) C

The owners have a claim on amounts they contributed directly to the company in exchange for its stock (Common Stock).

46) A

Revenues are earned by selling goods or services to customers.

47) A

Although *profit* is used in casual conversation, the preferred term in accounting is *net income*. Net income is calculated as revenues minus expenses.

48) A

If revenues are less than expenses, the company would have a net loss which would decrease Retained Earnings.

49) B

Expenses are all costs of doing business that are necessary to earn revenues.

50) C

Expenses are all costs of doing business that are necessary to earn revenues.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

51) B
An asset is an economic resource presently controlled by the company; it has measurable value and is expected to benefit the company by producing cash inflows or reducing cash outflows in the future.
52) A
Alpha is the seller and thus will report accounts receivable, which is a right to collect for sales/services provided on account.
53) A
The buyer, Beta, will report accounts payable, which is the amount owed to suppliers for prior credit purchases on account.
54) A
Revenues equal the amount earned, regardless of whether the cash has been collected.
55) B
Investing activities involve buying and selling productive resources with long lives (such as buildings, land, equipment, and software), purchasing investments, and lending to others.
56) D
Financing activities include any borrowing from banks, repaying bank loans, receiving cash from stockholders for company stock, or paying dividends to stockholders. Operating activities are directly related to running the business to earn profit and would include buying supplies.
57) A
Operating activities are directly related to running the business to earn profit and would include paying interest on a loan. Investing activities involve buying and selling productive resources with long lives (such as buildings, land, equipment, and software), purchasing investments, and lending to others. Financing activities include any borrowing from banks, repaying bank loans, receiving cash from stockholders for company stock, or paying dividends to stockholders.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

58) A

The separate entity assumption means that the financial reports of a business are assumed to include the results of only that business's activities.

59) B

The statement of cash flows includes operating activities (which are directly related to running the business to earn profit), investing activities (which involve buying and selling productive resources with long lives), and financing activities (which include any borrowing from banks, repaying bank loans, receiving cash from stockholders for company stock, or paying dividends to stockholders).

60) B

Financial statements can be prepared at any time during the year, although they are most commonly prepared monthly, every three months (quarterly reports), and at the end of the year (annual reports).

61) A

Companies are allowed to choose a calendar or fiscal year-end. A calendar year is a 12-month period ending on December 31, and a fiscal year is a 12-month period ending on a day other than December 31.

62) D

An asset is an economic resource presently controlled by the company; it has measurable value and is expected to benefit the company by producing cash inflows or reducing cash outflows in the future.

63) B

The determination of net income or loss is made from revenues and expenses for a period. A net loss results when revenues are less than expenses.

64) A

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Net income can be left in the company to accumulate (with earnings that have been retained from prior years) or it can be paid out to the company's stockholders for their own personal use (called dividends).

65) C

Net income = Revenues− Expenses

= $330,000 − $247,500 = $82,500

66) B

Assets = Liabilities + Stockholders' Equity

Change in Assets = Change in Liabilities + Change in Stockholders' Equity

= $90,000 in Liabilities + $37,500 = $127,500

67) D

Liabilities are measurable amounts that the company owes to creditors. From a legal perspective, creditors have priority over stockholders. Thus, if a company goes out of business, liabilities must be paid before any amounts are paid to stockholders.

68) D

The balance sheet reports the amount of a business's assets, liabilities, and stockholders' equity at a specific point in time.

69) A

An asset is an economic resource presently controlled by the company; it has measurable value and is expected to benefit the company by producing cash inflows or reducing cash outflows in the future. The building supplies on hand that cost $321,000 would be reported as an asset on the balance sheet.

70) C

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

An asset is an economic resource presently controlled by the company; it has measurable value and is expected to benefit the company by producing cash inflows or reducing cash outflows in the future. The building supplies on hand that cost $150,000 would be reported as an asset on the balance sheet.

71) D

The company's profits are accumulated in Retained Earnings until a decision is made to distribute them to stockholders in what is called a dividend. Dividends are not an expense incurred to generate earnings and, as a result, are not reported on the income statement. Rather, a dividend is an optional distribution of earnings to stockholders, approved by the company's board of directors. Dividends are reported as a reduction in Retained Earnings on the statement of retained earnings.

72) D

The basic accounting equation is: Assets = Liabilities + Stockholders' Equity. It can be rearranged algebraically as Liabilities = Assets − Stockholders' Equity or as Assets = Liabilities − Stockholders' Equity.

73) A

Stockholders’ equity = Assets − Liabilities

Beginning stockholders’ equity = $874,000 − $747,000 = $127,000

Change in stockholders’ equity = Change in assets − Change in liabilities

= $59,400 − $24,700 = $34,700

Ending stockholders’ equity = Beginning stockholders’ equity + Change in stockholders’ equity

= $127,000 + $34,700 = $161,700

74) A

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Stockholders' equity = Assets − Liabilities
Beginning stockholders' equity = $430,000 − $370,000 = $60,000
Change in stockholders' equity = Change in assets − Change in liabilities
= $29,000 − $12,000 = $17,000
Ending stockholders' equity = Beginning stockholders' equity + Change in stockholders' equity
= $60,000 + $17,000 = $77,000

75) B

Assets = Liabilities + Stockholders' Equity
Change in Assets = Change in Liabilities + Change in Stockholders' Equity
= ($50,000) + $10,000 = ($40,000)

76) A

Total assets = Total liabilities + Total stockholders’ equity
$190,000 = ($65,400 + Notes Payable) + ($13,400 + $29,400)
Notes Payable = $190,000 − $65,400 − $13,400 − $29,400 = $81,800

77) C

Total assets = Total liabilities + Total stockholders' equity
$352,000 = ($128,000 + Notes Payable) + ($24,000 + $56,000)
Notes Payable = $352,000 − $128,000 − $24,000 − $56,000 = $144,000

78) B

The basic accounting equation can also be thought of as follows:
Change in Assets = Change in Liabilities + Change in Stockholders' Equity
Change in Stockholders' Equity = Change in Assets − Change in Liabilities
= $112,000 − $76,000 = $36,000
Since there were no dividends and no changes in the common stock, the change in stockholders' equity must equal net income.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

79) B
Assets = Liabilities + Stockholders' equity
Liabilities = Assets − Stockholders' equity
Change in liabilities = Change in assets − Change in stockholders' equity
= $56,200 − $22,400 = $33,800
80) B
Assets = Liabilities + Stockholders' equity
Liabilities = Assets − Stockholders' equity
Change in liabilities = Change in assets − Change in stockholders' equity
= $110,000 − $40,000 = $70,000
81) C
Of the $389,200 of Sales Revenue, customers have paid the company only $313,000, which leaves a balance of Accounts Receivable of $76,200.
82) D
Of the $772,000 of Sales Revenue, customers have paid the company only $606,000, which leaves a balance of Accounts Receivable of $166,000.
83) B
Net income = Revenues − Expenses
Expenses = Net income − Revenues
$15 million − $9 million = $6 million
84) B
Net income = Revenues − Expenses
Expenses = Net income − Revenues
$24 million − $6 million = $18 million
85) A

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Assets = Liabilities + Stockholders' Equity
Assets = Liabilities + (Common Stock + Retained Earnings)
Retained Earnings = Assets − Liabilities − Common Stock
= $85,000 − $35,000 − $40,000
= $10,000

86) D

The income statement would report the Sales Revenue earned of $12 million. The amount still owed by customers of $4.00 million (or $12 million − $8.00 million) would be reported as Accounts Receivable, an asset, on the balance sheet.

87) D

The income statement would report the Sales Revenue earned of $16.5 million. The amount still owed by customers of $5.25 million (or $16.5 million − $11.25 million) would be reported as Accounts Receivable, an asset, on the balance sheet.

88) A

The statement of retained earnings sets for the following equation:
Beginning Retained Earnings + Net Income − Dividends = Ending Retained Earnings

89) C

The statement of retained earnings reports the changes in retained earnings during the period; these changes consist of net income and dividends.

90) A

Retained earnings is increased by net income and decreased by dividends. Dividends paid to shareholders appear in the cash flow from financing activities on the statement of cash flows. Only revenues and expenses appear on the income statement.

91) C

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Net income equals the difference between revenues and expenses. Dividends are not expenses. Rather, dividends are an optional distribution of earnings to stockholders and, as such, they are reported on the statement of retained earnings. Income tax expense is reported on the income statement; a change in the company's income taxes would affect net income. Sales of a company's product are revenue on the income statement; and a change in the selling price would affect net income. Advertising expense is reported on the income statement; the expense incurred to advertise a new product would affect net income. Since dividends are not reported on the income statement, paying a dividend to stockholders would not affect net income.

92) B

Supplies that have been used in Year 2 are reported as an expense on the income statement for Year 2 (even though they were purchased in Year 1). Supplies used in Year 1 would be reported as an expense on the income statement for Year 1 (rather than Year 2). Dividends are reported on the statement of retained earnings rather than on the income statement. Accounts Receivable are reported on the balance sheet rather than on the income statement.

93) A

Total revenues = Sales Revenues + Service Revenue

= $3,000,000 + $810,200 = $3,810,200

Other selling and administrative expenses = Total expenses − All other expenses

= $3,445,600 − $1,314,900 − $482,200 − $225,600 − $117,700 − $253,700 = $1,051,500

Net Income = Revenues − Expenses

= $3,810,200 − $3,445,600 = $364,600

94) D

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

The account, Retained Earnings, is a component of stockholders' equity. It does not represent the amount of cash that a company has at a point in time.

95) A

Although Common Stock is part of stockholders' equity; it is not part of Retained Earnings.

Ending Retained Earnings = Beginning Retained Earnings + Net Income − Dividends

= $80,000 + $50,000 − $5,000 = $125,000

96) B

The change in cash is reported on the statement of cash flows. The change in retained earnings (rather than the change in cash) is reported on the statement of retained earnings. Both the statement of cash flows and the income statement cover a specified period of time. The income statement reports the results of operations and the statement of cash flows reports the cash flows from operating activities.

97) B

The statement of retained earnings reports the way that net income (profits) and distributions to stockholders (dividends) affect the financial position of the company during the period. Retained earnings are not an estimate of the value of the company's assets. The statement of cash flows shows cash inflows and outflows. Revenues and expenses are reported on the income statement.

98) C

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Since dividends are subtracted in arriving at the ending amount of retained earnings, they are shown in parentheses. A double underline is used for the final totals on the balance sheet, which include "Total Assets" and "Total Liabilities and Stockholders' Equity." Dollar signs appear at the top and bottom of each column of numbers on a financial statement. The order of items in the heading of each financial statement is as follows: the name of the business, the title of the report, and the time period covered by, or the point of time of the financial statement.

99) C

Dividends are not expenses. Rather, dividends are an optional distribution of earnings to stockholders, approved by the company's board of directors.

100) B

Companies are allowed to choose a calendar or fiscal year-end. A calendar year is a 12-month period ending on December 31, and a fiscal year is a 12-month period ending on a day other than December 31.

101) C

The heading of a financial statement identifies who, what, and when: the name of the business, the title of the report, and the time period covered by, or the point of time of, the financial statement.

102) A

If a company borrows from a bank, it would owe a liability called a Notes Payable. This particular name is used because banks require borrowers to sign a legal document called a note that describes details about the company's promise to repay the bank.

103) D

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Any borrowing from banks, repaying bank loans, receiving cash from stockholders for company stock, or paying dividends to stockholders is considered a financing activity. Since the company would receive cash as a result of the borrowing, the amount would be reported as a cash inflow.

104) A

Statement of Profit and Loss is an alternative term for the income statement.

105) C

The Income Statement, Statement of Retained Earnings, and the Statement of Cash Flows are prepared for a period of time. The Balance Sheet is prepared as of a point in time.

106) C

The balance sheet reports assets (such as Cash and Accounts Receivable), liabilities (such as Accounts Payable) and stockholders' equity. Advertising Expense is an expense reported on the income statement.

107) A

Since the expense was incurred (that is, the rent/building was used), the related $5,000 should be included in the amount of Rent Expense reported on the income statement for Year 5. (Note that the unpaid amount of $5,000 should be included in Accounts Payable in the liabilities section of the balance sheet at the end of Year 5.)

108) A

Revenue is reported on the income statement when the goods or services are provided (when it is earned) and expenses are reported when they are incurred.

Net Income = Revenue − Expenses

= $108,000 − $70,800 = $37,200

109) D

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Revenue is reported on the income statement when the goods or services are provided (when it is earned) and expenses are reported when they are incurred.

Net Income = Revenue − Expenses
= $80,000 − $56,000 = $24,000

110) A

Ending Cash appears on the balance sheet and the statement of cash flows. Ending Retained Earnings appears on the balance sheet and the statement of retained earnings.

111) D

The unpaid wages of $1,000 are reported as a liability, called Salaries and Wages Payable, on the balance sheet. (Note that Salaries and Wages Expense of $10,000 will be reported on the income statement.)

112) D

Net income is the bottom line on the income statement. Net income is also added to beginning retained earnings on the statement of retained earnings.

113) C

Stockholders' equity represents the owners' claims on the business. These claims arise for two reasons. First, the owners have a claim on amounts they contributed directly to the company in exchange for its stock (Common Stock). Second, the owners have a claim on amounts the company has earned through profitable business operations (Retained Earnings). A company's profits are accumulated in Retained Earnings until a decision is made to distribute them to stockholders in what is called a dividend.

114) D

The income statement reports revenues earned, expenses incurred, and net income (the difference).

115) B

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Ending Cash = Beginning cash + Cash provided by (used in) operating activities + Cash provided by (used in) investing activities + Cash provided by (used in) financing activities
= $17,500 + $18,400 − $6,500 − $1,000 = $28,400

116) D

Ending Cash = Beginning cash + Cash provided by (used in) operating activities + Cash provided by (used in) investing activities + Cash provided by (used in) financing activities
= $28,000 + $33,000 − $16,800 − $5,800 = $38,400

117) C

Accounts Receivable, Supplies, and Cash are assets. Retained Earnings is not an asset; it is a component of stockholders' equity on the balance sheet.

118) B

Accounts Payable, Notes Payable, and Salaries and Wages Payable are liabilities. Common Stock is not a liability; it is a component of stockholders' equity on the balance sheet.

119) D

Change in Cash = Cash provided by (used in) operating activities + Cash provided by (used in) investing activities + Cash provided by (used in) financing activities
= $29,800 + $30,800 − $44,200 = $16,400.

120) A

Change in Cash = Cash provided by (used in) operating activities + Cash provided by (used in) investing activities + Cash provided by (used in) financing activities
= $34,800 + $36,000 − $54,000 = $16,800

121) B

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Revenue is $100,000. Accounts Receivable at the end of the current period is $100,000 since customers did not pay until the next period. Accounts Payable is not affected.

122) D

Investing activities are transactions of buying or selling productive assets with long lives. Transactions with lenders and stockholders are financing activities. Operating activities are directly related to running the business to earn profit.

123) B

The separate entity assumption requires that a business's financial reports include only the activities of the business and not the personal dealings of its stockholders.

124) D

Accounts Receivable, Equipment, and Cash are assets reported on the balance sheet. Accounts Payable is a liability, while Retained Earnings is a component of stockholders' equity on the balance sheet. Sales Revenue and Supplies Expense are reported on the income statement.

125) C

Accounts Payable, Notes Payable, and Salaries and Wages Payable are liabilities reported on the balance sheet. Common Stock and Retained Earnings are component of stockholders' equity on the balance sheet. Supplies Expense is an expense reported on the income statement. Accounts Receivable is an asset reported on the balance sheet.

126) C

Assets are reported on the balance sheet; the income statement reports revenues and expenses.

127) D

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Net Income = Revenues − Expenses

Assets = Liabilities + Stockholders' Equity

Total stockholders' equity = Common Stock + Retained Earnings

= $75,000 + $45,000 = $120,000

128) B

Expenses on the income statement would include the amount of Supplies Expense that was incurred by using supplies. Cash is reported as an asset on the balance sheet. Dividends are reported on the statement of retained earnings, not on the income statement. The amount of unpaid wages would be a liability called Salaries and Wages Payable on the balance sheet.

129) A

Revenue earned this year from the sale of goods is reported on the income statement for the current year, even if customers have not yet paid for the goods.

The revenue earned from selling goods to customers last year would have been reported as revenue on last year's income statement. Borrowing money from the bank and issuing common stock are not transactions that are reported on the income statement.

130) B

The ending retained earnings of the prior year becomes the beginning retained earnings of the current year.

131) C

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

First, calculate net income:

Net income = Revenues − Expenses

= $240,000 − $180,000 = $60,000

Then, use the statement of retained earnings equation to determine ending Retained Earnings:

Ending Retained Earnings = Beginning Retained Earnings + Net Income − Dividends

= $0 + $60,000− $6,000 = $54,000

132) A

Cash paid to suppliers and employees appears in the cash flows from operating activities section of the statement of cash flows. Cash paid to purchase equipment appears in the cash flow from investing activities section of the statement of cash flows. Both cash paid for notes payable and dividends appears in the cash flow from financing activities section of the statement of cash flows.

133) D

Net cash flow from operating activities = Cash collected from customers − Cash paid to suppliers and employees − Cash paid for other operating activities

Cash paid for other operating activities = Net cash flow from operating activities − Cash collected from customers + Cash paid to suppliers and employees

= $10,000 − $24,000 + $14,000 = $0

134) A

Net cash flow from (used by) financing activities = Cash paid on notes payable + Cash paid for dividends

= ($64,000) + ($20,000) = ($84,000)

135) B

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Ending Cash = Beginning cash + Increase (Decrease) in Cash
Beginning cash = Ending Cash − Increase (Decrease) in cash
= $244,000 − $74,000 = $170,000
136) B
Net Income = Revenue − Expenses
= $6,200 − $3,600
= $2,600
137) A
Net Income = Revenue − Expenses
= $2,500 − $1,500 = $1,000
138) B
Net Income = Revenue − Expenses
= $5,700 − $3,350 = $2,350

Ending retained earnings = Beginning retained earnings + Net income − Dividends
= $3,000 + $2,350 − $1,700 = $3,650
139) B
Net Income = Revenue − Expenses
= $2,500 − $1,500 = $1,000

Ending retained earnings = Beginning retained earnings + Net income − Dividends
= $5,000 + $1,000 − $500 = $5,500
140) D
Ending liabilities = Beginning liabilities + Increase (Decrease) in liabilities
= $41,500 + $3,700 = $45,200
141) B

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Ending liabilities = Beginning liabilities + Increase (Decrease) in liabilities
= $15,000 + $1,500 = $16,500

142) B

Assets increased during the year by $6,000 (revenues paid in cash) and decreased by $2,000 (dividends paid in cash).
Ending assets = Beginning assets + Increase (Decrease) in assets
= $113,000 + $6,000 − $2,000 = $117,000

143) C

Assets increased during the year by $2,500 (revenues paid in cash) and decreased by $500 (dividends paid in cash).
Ending assets = Beginning assets + Increase (Decrease) in assets
= $50,000 + $2,500 − $500 = $52,000

144) D

Expenses are comprised of Wages Expense, Advertising Expense, and Rent Expense
Net income = Revenue − Expenses
= $45,200 − ($9,200 + $6,200 + $11,200) = $18,600

145) A

Expenses are comprised of Wages Expense, Advertising Expense, and Rent Expense
Net income = Revenue − Expenses
= $53,000 − ($8,000 + $5,000 + $10,000) = $30,000

146) B

Total Assets = Cash + Accounts Receivable + Supplies
= $70,200 + $28,200 + $4,200 = $102,600

147) B

Total Assets = Cash + Accounts Receivable + Supplies
= $70,000 + $28,000 + $4,000 = $102,000

148) B

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Expenses are comprised of Wages Expense, Advertising Expense, and Rent Expense

Net income = Revenue − Expenses

= $53,000 − ($8,000 + $5,000 + $10,000) = $30,000

Ending retained earnings = Beginning retained earnings + Net income − Dividends

= $17,000 + $30,000 − $0 = $47,000

Ending stockholders' equity = Common stock + Ending retained earnings

= $40,000 + $47,000 = $87,000

149) C

Expenses are comprised of Wages Expense, Advertising Expense, and Rent Expense

Net income = Revenue − Expenses

= $53,000 − ($8,000 + $5,000 + $10,000) = $30,000

Ending retained earnings = Beginning retained earnings + Net income − Dividends

= $17,000 + $30,000 − $0 = $47,000

Ending stockholders' equity = Common stock + Ending retained earnings

= $40,000 + $47,000 = $87,000

150) D

Assets = Liabilities + Stockholders' Equity

Stockholders' Equity = Assets − Liabilities

= $117,000 − $83,500 = $33,500

151) B

Assets = Liabilities + Stockholders' Equity

Stockholders' Equity = Assets − Liabilities

= $120,000 − $90,000 = $30,000

152) B

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Beginning of year:

Change in Assets = Change in Liabilities + Change in Stockholders' Equity

Change in Stockholders' Equity = Change in Assets − Change in Liabilities

= $12,000 − ($9,000) = $12,000 + $9,000 = $21,000

153) B

Beginning of year:

Change in Assets = Change in Liabilities + Change in Stockholders' Equity

Change in Stockholders' Equity = Change in Assets − Change in Liabilities

= $14,400 − ($10,800) = $14,400 + $10,800 = $25,200

154) C

Ending retained earnings = Beginning retained earnings + Net income − Dividends

= $0 + $21,500 − $12,750 = $8,750

155) B

Ending retained earnings = Beginning retained earnings + Net income − Dividends

= $0 + $20,000 − $12,000 = $8,000

156) A

Ending retained earnings = Beginning retained earnings + Net income − Dividends

Year 1:

= $0 + $20,900 − $12,450 = $8,450

Year 2:

= $8,450 + $34,900 − $5,450 = $37,900

157) A

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Ending retained earnings = Beginning retained earnings + Net income − Dividends

Year 1:

= $0 + $20,000 − $12,000 = $8,000

Year 2:

= $8,000 + $34,000 − $5,000 = $37,000

158) B

Total revenues = Service Revenue + Other Revenue

= $10,000 + $300 = $10,300

Total expenses = Salaries Expense + Interest Expense + Income Tax Expense + Selling & Administrative Expenses + Other Expenses + Other Operating Expenses

= $3,000 + $75 + $400 + $2,500 + $500 + $2,000 = $8,475

Net income = Revenue − Expenses

= $10,300 − $8,475 = $1,825

159) A

Total Assets = Cash + Accounts Receivable + Other assets + Property and Equipment + Supplies

= $2,200 + $800 + $2,500 + $11,000 + $300 = $16,800

160) B

Total liabilities = Accounts Payable + Notes Payable + Other Liabilities

= $2,075 + $5,000 + $3,000 = $10,075

161) D

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Total revenues = Service Revenue + Other Revenue
= $10,000 + $300 = $10,300
Total expenses = Salaries Expense + Interest Expense + Income Tax Expense + Selling & Administrative Expenses + Other Expenses + Other Operating Expenses
= $3,000 + $75 + $400 + $2,500 + $500 + $2,000 = $8,475
Net income = Revenue − Expenses
= $10,300 − $8,475 = $1,825
Ending Retained Earnings = Beginning Retained Earnings + Net income − Dividends
= $4,800 + $1,825 − $1,900 = $4,725

162) D

Assets = Liabilities + Stockholders' Equity
Stockholders' Equity = Assets − Liabilities
= $719,000 − $359,500 = $359,500
Stockholders' Equity = Common Stock + Retained earnings.
Retained Earnings = Stockholders' Equity − Common Stock
= $359,500 − $219,000 = $140,500

163) A

Assets = Liabilities + Stockholders' Equity
Stockholders' Equity = Assets − Liabilities
= $840,000 − $420,000 = $420,000
Stockholders' Equity = Common Stock + Retained earnings.
Retained Earnings = Stockholders' Equity − Common Stock
= $420,000 − $240,000 = $180,000

164) A

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Change in Assets = Change in Liabilities + Change in Stockholders' Equity

Change in Stockholders' Equity = Change in Assets − Change in Liabilities

= $407,000 − ($53,500) = $407,000 + $53,500 = $460,500

165) B

Change in Assets = Change in Liabilities + Change in Stockholders' Equity

Change in Stockholders' Equity = Change in Assets − Change in Liabilities

= $480,000 − ($60,000) = $480,000 + $60,000 = $540,000

166) C

Change in Assets = Change in Liabilities + Change in Stockholders' Equity

Change in Stockholders' Equity = Change in Assets − Change in Liabilities

= $402,000 − ($51,000) = $402,000 + $51,000 = $453,000

Change in Stockholders' Equity = Change in Common Stock + Change in Retained Earnings

Change in Retained Earnings = Change in Stockholders' Equity − Change in Common Stock

= $453,000 − $277,000 = $176,000

Change in Retained Earnings = Net income = Dividends

Net income = Change in Retained Earnings − Dividends

= $176,000 − $0 = $176,000

167) C

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Change in Assets = Change in Liabilities + Change in Stockholders' Equity

Change in Stockholders' Equity = Change in Assets − Change in Liabilities

= $480,000− ($60,000) = $480,000 + $60,000 = $540,000

Change in Stockholders' Equity = Change in Common Stock + Change in Retained Earnings

Change in Retained Earnings = Change in Stockholders' Equity − Change in Common Stock

= $540,000 − $330,000 = $210,000

Change in Retained Earnings = Net income = Dividends

Net income = Change in Retained Earnings − Dividends

= $210,000 − $0 = $210,000

168) A

Cash flows from operating activities = Cash received from customers − Cash paid to suppliers and employees

= $10,000 − $5,000 = $5,000

169) B

Cash flows from (used in) investing activities = Cash used to purchase equipment

= ($40,000)

170) C

Cash flows from (used in) financing activities = Cash received for stock issuance + Cash borrowed from bank − Cash dividends paid to stockholders

= $30,000 + $20,000 − $1,000 = $49,000

171) D

Total Assets = Total Liabilities + Total Stockholders' Equity

Total Liabilities = Total Stockholders' Equity − Total Assets

= $3,347,700 − $1,470,700 = $1,877,000

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

172) B

Total Assets = Total Liabilities + Total Stockholders' Equity

Total Liabilities = Total Stockholders' Equity − Total Assets

= $3,347,700 − $1,470,700 = $1,877,000

Total Liabilities = Accounts Payable + Notes Payable

Notes Payable = Total Liabilities − Accounts Payable

= $1,877,000 − $1,439,200 = $437,800

173) C

The Accounts Receivable of $310,500 represents the amounts owed by customers. Retained Earnings is properly classified as a component of Stockholders' Equity. Retained Earnings represents the cumulative amount of a company's profits (or net income) less the cumulative amount of dividends that have been distributed to stockholders. The amount of retained earnings reported on a balance sheet represents the retained earnings at the end (rather than the beginning) of the year.

174) A

Karen’s Bakery will report Accounts Payable, which is the amount owed to suppliers for prior credit purchases (on account), as a liability on its balance sheet.

175) D

Net income is reported on both the income statement and the statement of retained earnings. Cash is reported on the balance sheet and statement of cash flows. Revenues and expenses are reported only on the income statement.

176) D

Lolly’s Sparkling Waters is the seller and thus will report $380 of Accounts Receivable, which is a right to collect for sales/services provided on account.

177) B

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Accounts Receivable represent the seller's right to collect from customers for sales and services provided on credit.

178) A

Investing activities involve buying and selling productive resources with long lives (such as buildings, land, equipment, and software), purchasing investments, and lending to others. A cash purchase of a long-lived asset would be reported as a negative number representing an outflow of cash.

179) C

Any borrowing from banks, repaying bank loans, receiving cash from stockholders for company stock, or paying dividends to stockholders is considered a financing activity. A cash payment to banks or stockholders would be reported as a negative number representing an outflow of cash.

180) C

Any borrowing from banks, repaying bank loans, receiving cash from stockholders for company stock, or paying dividends to stockholders is considered a financing activity.

181) C

Any borrowing from banks, repaying bank loans, receiving cash from stockholders for company stock, or paying dividends to stockholders is considered a financing activity.

182) A

Any borrowing from banks, repaying bank loans, receiving cash from stockholders for company stock, or paying dividends to stockholders is considered a financing activity.

183) A

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Investing activities involve buying and selling productive resources with long lives (such as buildings, land, equipment, and software), purchasing investments, and lending to others. Operating activities are directly related to running the business to earn profit. They include selling apps and services, paying employee wages, buying advertising, renting a building, obtaining insurance coverage, and so on. Any borrowing from banks, repaying bank loans, receiving cash from stockholders for company stock, or paying dividends to stockholders is considered a financing activity.

184) D

Expenses equal the amount incurred, regardless of whether the cash has been paid. As such, Salaries and Wages Expense, which is reported on the income statement, equals $10,000. The amount owed to employees of $2,000 will be reported as Salaries and Wages Payable, a liability, on the balance sheet. The cash payment of $8,000 would have decreased the company's cash account.

185) C

The body of an income statement has three major captions—revenues, expenses, and net income—corresponding to the equation for the income statement (Revenues − Expenses = Net Income). Individual types of revenues and expenses are reported under the revenue and expense headings.

186) A

The unit of measure assumption states that results of business activities should be reported in an appropriate monetary unit, which in the United States is the U.S. dollar.

187) B

Total liabilities of $1,877,000 are greater than $1,470,700 of total stockholders' equity. As a result, creditors provided more financing than owners.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

188) B

Investors expect a return on their contributions to a company. The return may be immediate (through dividends) or long-term (through selling stock certificates at a price higher than their original cost).

189) A

Creditors are mainly interested in assessing whether the company generating enough cash to make payments on its loan and is the company has enough assets to cover its liabilities.

190) A

Creditors are interested in whether the company's cash flows from operating activities are sufficient to make payments on loans and other liabilities. Investors look for intermediate and long-term returns on their contributions to the company, through dividends and stock price increases.

191) C

Investors and creditors look at the balance sheet to see whether the company owns enough assets to pay all that it owes to creditors. The income statement is used to determine its profitability. The statement of cash flows indicates the cash flows from operating activities.

192) D

Given the downward trend in sales and net income, owners may conclude that the company will be less likely to distribute dividends. Creditors are likely to conclude that the risk of lending to the company is increasing (rather than declining) and might demand a higher (rather than be willing to accept a lower) interest rate on loans. Investors are likely to conclude that the stock price is likely to decline (rather than rise), making the company less (rather than more) attractive as a potential investment. Customers are legally required to pay amounts they owe to the company when they are due; customers do not have the options of changing those terms.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

193) A

The return to investors may be immediate (through dividends) or long-term (through selling stock certificates at a price higher than their original cost). As a result, when choosing between a company that pays steady dividends and one that retains its earnings to support future growth, investors won't always choose the company that pays steady dividends. They might be interested in longer-term returns.

194) A

The Statement of Retained Earnings reports the amount of cash dividends paid to stockholders.

195) B

Creditors are mainly interested in assessing whether the company is generating enough cash to make payments on its loan and if the company has enough assets to cover its liabilities. The balance sheet reports the amount of assets, liabilities and stockholders' equity and could be used to evaluate the amount of cash and the amount of liabilities to see whether the company's resources are sufficient to pay creditors.

196) C

In the long run, fraud harms most individuals and organizations. When it is uncovered, the corporation's stock price drops dramatically.

197) C

The usefulness of financial information is enhanced when it is timely, verifiable, comparable, and understandable. Information is verifiable if others, such as external auditors, reach similar values using similar methods. Information is timely if it is available in time to influence decision makers. It is comparable if the same accounting principles are used over time and across companies. It is understandable if reasonably informed users can comprehend and interpret it.

198) D

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

The AICPA (American Institute of Certified Public Accountants) requires its members to adhere to a Code of Professional Conduct.

199) C

Currently, the Financial Accounting Standards Board (FASB) has the primary responsibility for setting the underlying rules of accounting in the United States. As a group, these rules are called Generally Accepted Accounting Principles, or GAAP for short.

200) B

Following rules approved by the Public Company Accounting Oversight Board (PCAOB) and other accounting bodies, these auditors report whether, beyond reasonable doubt, the financial statements represent what they claim to represent and whether they comply with GAAP.

201) D

It would be unethical to not report an overpayment of wages to your employer. Companies may retain profits, which help the company grow, which may cause the stock price to increase, benefiting stockholders. Rounding amounts reported on the financial statements is a common practice and does not lead to material misstatement. An unintentional mistake is not considered unethical.

202) A

Auditors report whether, beyond reasonable doubt, the financial statements represent what they claim to represent and whether they comply with GAAP. The auditors' report does not include recommendations about stock purchases. The company's dividend policy and future plans are not part of the auditors' report.

203) C

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A company's managers have primary responsibility for following GAAP. To provide additional assurance, some private companies and all public companies hire independent auditors to scrutinize their financial records. Auditors report whether, beyond reasonable doubt, the financial statements represent what they claim to represent and whether they comply with GAAP. The IRS, the SEC, and the FASB do not perform examinations to determine whether a company's financial statements have been prepared in accordance with GAAP.

204) D
Currently, the Financial Accounting Standards Board (FASB) has the primary responsibility for setting the underlying rules of accounting in the United States. As a group, these rules are called Generally Accepted Accounting Principles, or GAAP for short.
205) D
The accounting rules in the United States are similar, for the most part, to those used elsewhere in the world, but some important differences exist. The FASB is working alongside the International Accounting Standards Board (IASB) to eliminate these differences so that investors can more easily compare the financial statements of companies from different countries.
206) C
Generally Accepted Accounting Principles (GAAP) are rules of financial accounting created by the Financial Accounting Standards Board for use in the United States. The main goal of GAAP is to ensure companies produce financial information that is useful to existing and potential investors, lenders, and other creditors in making decisions about providing resources to the companies.
207) C

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

Information is a faithful representation if it fully depicts the economic substance of business activities. The AICPA (rather than the FASB) requires its members to adhere to a code of professional conduct. The Sarbanes-Oxley Act does require companies to maintain an audited system of internal controls. The FASB is working alongside the International Accounting Standards Board (IASB) to eliminate these differences so that investors can more easily compare the financial statements of companies from different countries.

208) D

Financial information possesses the characteristic of representation faithfulness if it depicts the economic substance of business activities. The separate entity assumption means that only the activities of the business are included in its financial reports. Comparability refers to the ability of financial information to be compared across businesses because similar accounting methods have been applied. The unit of measure assumption states that the results of business activities are reported in an appropriate monetary unit.

209) C

Information is relevant if it makes a difference in decision making and it is a faithful representation if it fully depicts the economic substance of business activities.

210) D

For financial information to be judged useful, it must possess two fundamental characteristics: relevance and faithful representation.

211) D

Useful financial information is comparable, verifiable, timely, and understandable.

212) C

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

GAAP are used in the U.S, while other countries have their own national set of accounting standards. Many countries permit or require the use of IFRS. The FASB is working alongside the International Accounting Standards Board (IASB) to eliminate these differences so that investors can more easily compare the financial statements of companies from different countries.

213) C
U.S. GAAP is to accountants and auditors what the criminal code is to lawyers and the public.
214) A
When faced with an ethical dilemma, an accountant should identify who will be affected by the situation, identify and evaluate the alternative courses of action, and choose the alternative that is the most ethical.
215) B
The Sarbanes-Oxley Act is a set of laws established to strengthen corporate reporting in the United States.
216) B
For financial information to be judged useful, it must possess two fundamental characteristics: relevance and faithful representation. Information is relevant if it makes a difference in decision making and it is a faithful representation if it fully depicts the economic substance of business activities. The usefulness of financial information is enhanced when it is timely, verifiable, comparable, and understandable. Detailed information is not necessarily useful.
217) D
Information is relevant if it makes a difference in decision making and it is a faithful representation if it fully depicts the economic substance of business activities.
218) A

Fundamentals of Financial Accounting 7th edition Phillips Test Bank

A company's managers have primary responsibility for following GAAP. To provide additional assurance, some private companies and all public companies hire independent auditors to scrutinize their financial records.

219) C

A company's managers have primary responsibility for following Generally Accepted Accounting Principles (GAAP). To provide additional assurance, some private companies and all public companies hire independent auditors to scrutinize their financial records.

220) A

The main goal of GAAP and IFRS is to ensure companies produce financial information that is useful to existing and potential investors, lenders, and other creditors in making decisions about providing resources to the companies.

221) D

Currently, the Financial Accounting Standards Board (FASB) has the primary responsibility for setting the underlying rules of accounting in the United States. As a group, these rules are called Generally Accepted Accounting Principles, or GAAP for short.

222) A

In response to frauds, the government introduced new laws through the Sarbanes-Oxley Act.

223) B

Sarbanes-Oxley Act (SOX) is a set of laws established to strengthen corporate reporting in the United States.

Fundamentals of Financial Accounting 7th edition Phillips Test Bank