Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

SKU: 9781260814446-TEST-BANK

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01

CORRECT ANSWERS ARE LOCATED AT THE SECOND PART OF THIS DOCUMENT

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

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

Increase = IDecrease = DNot Affected = NA

Walker Company issued common stock for $150,000 cash.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Accessibility : Screen Reader Compatible
Bloom's : Analyze
AACSB : Analytical Thinking

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

Increase = IDecrease = DNot Affected = NA

Nguyen Company borrowed $50,000 cash from Metropolitan Bank.

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Question Details
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Accessibility : Screen Reader Compatible
Bloom's : Analyze
AACSB : Analytical Thinking

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

Increase = IDecrease = DNot Affected = NA

Bell Company provided consulting services for $20,000 cash.

Question Details
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Accessibility : Screen Reader Compatible
Bloom's : Analyze
AACSB : Analytical Thinking

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

Increase = IDecrease = DNot Affected = NA

Pierce Company paid $40,000 cash to purchase land.

Question Details
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Accessibility : Screen Reader Compatible
Bloom's : Analyze
AACSB : Analytical Thinking

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

Increase = IDecrease = DNot Affected = NA

Perez Company paid $220,000 cash for salaries expense.

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Question Details
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Accessibility : Screen Reader Compatible
Bloom's : Analyze
AACSB : Analytical Thinking

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

Increase = IDecrease = DNot Affected = NA

Jones Company paid $20,000 in cash dividends to its owners.

Question Details
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Accessibility : Screen Reader Compatible
Bloom's : Analyze
AACSB : Analytical Thinking

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

Increase = IDecrease = DNot Affected = NA

North Company issued a note to purchase a building.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Accessibility : Screen Reader Compatible
Bloom's : Analyze
AACSB : Analytical Thinking

8) Name the group that has the primary authority for establishing U.S. GAAP.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-01 Identify the ways accounting benefits society.
Gradable : manual
AICPA : FN Measurement
Accessibility : Screen Reader Compatible
Topic : Role of Accounting in Society

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9) Who are the three distinct types of participants in the market for business resources? Briefly describe the role of each group of participants.

Question Details
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Learning Objective : 01-01 Identify the ways accounting benefits society.
Gradable : manual
Bloom's : Understand
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Role of Accounting in Society
AICPA : BB Industry

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

Question Details
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Learning Objective : 01-01 Identify the ways accounting benefits society.
Gradable : manual
AICPA : FN Measurement
Bloom's : Understand
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Role of Accounting in Society
AICPA : BB Industry

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

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Question Details
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Bloom's : Understand
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
AACSB : Diversity
AICPA : BB Global
Learning Objective : 01-02 Identify reporting entities.
Topic : Reporting Entities

12) Briefly distinguish between financial accounting and managerial accounting.

Question Details
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Learning Objective : 01-01 Identify the ways accounting benefits society.
Gradable : manual
AICPA : FN Measurement
Bloom's : Understand
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Role of Accounting in Society
AICPA : BB Industry
AACSB : Communication

13) Explain some of the similarities and differences between not-for-profit organizations and other types of businesses.

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Question Details
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Learning Objective : 01-01 Identify the ways accounting benefits society.
Gradable : manual
Bloom's : Understand
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Role of Accounting in Society
AICPA : BB Industry
AACSB : Communication

14) What financial statement elements are reported on a balance sheet?

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Gradable : manual
AICPA : FN Measurement
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet
Accessibility : Screen Reader Compatible

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

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Question Details
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Bloom's : Remember
Gradable : manual
Difficulty : 2 Medium
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation
Accessibility : Screen Reader Compatible
AICPA : BB Resource Management
AICPA : FN Risk Analysis

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

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Gradable : manual
AICPA : FN Measurement
Bloom's : Understand
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-04 Classify business events as asset source, asset use, asset exchange, or cl
Accessibility : Screen Reader Compatible
AACSB : Analytical Thinking

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

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Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Topic : Types of Transactions
Learning Objective : 01-04 Classify business events as asset source, asset use, asset exchange, or cl
Accessibility : Screen Reader Compatible
Bloom's : Analyze
AACSB : Analytical Thinking

18) If total stockholder's equity is $150,000 and liabilities are $75,000, what are total assets?

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

19) What is meant by the term stockholders' equity?

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Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Gradable : manual
AICPA : FN Measurement
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation
Accessibility : Screen Reader Compatible

20) Give three examples of asset use transactions.

Question Details
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Gradable : manual
AICPA : FN Measurement
Bloom's : Understand
Difficulty : 2 Medium
Topic : Types of Transactions
Learning Objective : 01-04 Classify business events as asset source, asset use, asset exchange, or cl
Accessibility : Screen Reader Compatible
AICPA : BB Resource Management

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

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Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Difficulty : 1 Easy
Gradable : manual
AICPA : FN Measurement
Bloom's : Understand
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.
Accessibility : Screen Reader Compatible

22) If a corporation issues common stock for $50,000 cash, in which section of the statement of cash flows will this transaction be reported?

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Difficulty : 1 Easy
Gradable : manual
AICPA : FN Measurement
Bloom's : Understand
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.
Accessibility : Screen Reader Compatible

23) Which financial statement reports revenue and expenses?

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Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Difficulty : 1 Easy
Gradable : manual
AICPA : FN Measurement
Bloom's : Understand
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Accessibility : Screen Reader Compatible

24) Name and briefly describe each of the four financial statements.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Gradable : manual
AICPA : FN Measurement
Bloom's : Understand
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.
Learning Objective : 01-08 Prepare and interpret a statement of changes in stockholders' equity.
Topic : Statement of Changes in Stockholders' Equity
Accessibility : Screen Reader Compatible
Difficulty : 3 Hard

25) Define the term "accounting period." How does this term relate to the "matching concept" as it pertains to the income statement?

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Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Gradable : manual
AICPA : FN Measurement
Bloom's : Understand
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Accessibility : Screen Reader Compatible

ESSAY. Write your answer in the space provided or on a separate sheet of paper.
26) Indicate whether each of the following statements about markets is true or false.

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

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
AICPA : FN Decision Making
Learning Objective : 01-01 Identify the ways accounting benefits society.
Gradable : manual
Accessibility : Screen Reader Compatible
Topic : Role of Accounting in Society

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

1.a) Financial accounting is primarily intended to satisfy the information needs of internal stakeholders.

2.b) Managerial accounting information includes financial and nonfinancial information.

3.c) The accounting information intended to satisfy the needs of a company's employees is managerial accounting information.

4.d) GAAP requires that companies adhere to financial accounting standards.

5.e) Managerial accounting information is usually less detailed than financial accounting information.

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-01 Identify the ways accounting benefits society.
Gradable : manual
AICPA : FN Measurement
Accessibility : Screen Reader Compatible
Topic : Role of Accounting in Society

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

1.a) Liabilities are reported on the balance sheet.

2.b) The acquisition of a bank loan increases both assets and liabilities.

3.c) The accounting equation requires that liabilities be equal to stockholders' equity.

4.d) The amount of a company's liabilities is equal to the difference between its assets and its stockholders'equity.

5.e) Liabilities are reported on the statement of cash flows of a business.

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Gradable : manual
AICPA : FN Measurement
Bloom's : Understand
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet
Accessibility : Screen Reader Compatible

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

1.a) A dividend paid to stockholders decreases retained earnings.
2.b) Issuing common stock for cash increases retained earnings.
3.c) The amount of net income for a period must equal retained earnings.
4.d) The purchase of a truck decreases retained earnings.
5.e) Net income increases retained earnings.

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Gradable : manual
AICPA : FN Measurement
Bloom's : Understand
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Learning Objective : 01-10 Identify the ways financial statements interrelate.
Topic : Financial Statement Articulation
Accessibility : Screen Reader Compatible

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

1.a) An asset source transaction increases total assets and increases claims to assets.

2.b) The issuance of stock to owners for cash would be an example of an asset exchange transaction.

3.c) Purchasing equipment for cash is an example of an asset use transaction.

4.d) Paying a dividend to stockholders is an example of an asset use transaction.

5.e) Making a payment on a bank loan is an example of an asset exchange transaction.

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
AACSB : Reflective Thinking
Difficulty : 1 Easy
Gradable : manual
AICPA : FN Measurement
Bloom's : Understand
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Topic : Types of Transactions
Learning Objective : 01-04 Classify business events as asset source, asset use, asset exchange, or cl
Accessibility : Screen Reader Compatible

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

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

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

3.c) A cash dividend paid to stockholders is reported on the income statement.

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

5.e) Changes in retained earnings during the accounting period are reported on the income statement.

Question Details

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

1.a) Expenses decrease retained earnings.

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

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

4.d) Dividends paid to stockholders decrease common stock.

5.e) Generally, assets are reported at the actual price paid for them when purchased regardless of subsequent changes in market value.

Question Details

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

33) Bates Company entered into the following transactions during its first year in business. Assume that all transactions involve the receipt or payment of cash.

1.1) Issued common stock to investors for $25,000 cash.
2.2) Borrowed $18,000 from the local bank.
3.3) Provided services to customers for $28,000.
4.4) Paid expenses amounting to $21,400.
5.5) Purchased a plot of land costing $22,000.
6.6) Paid a dividend of $15,000 to its stockholders.
7.7) Repaid $12,000 of the loan listed in item 2.

Required:

1.(a) Fill in the three column headings of the accounting equation in the first row of the table shown below.

2.(b) Show the effects of the above transactions on the accounting equation.

a. _____ = _____ + _____

b.

Event Number
1.1)
2.2)
3.3)
4.4)
5.5)
6.6)
7.7)

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Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

34) Each of the following requirements is independent of the others.

1.a) Valdez Corporation has liabilities of $95,000 and stockholders' equity of $115,000. What is the amount of Valdez's assets? _____

2.b) Global Company has assets of $320,000 and liabilities of $95,000. What is the amount of Global's stockholders' equity? _____

3.c) Brown Company has assets of $90,000 and liabilities of $25,000. What is the amount of Brown's claims? _____

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

35) The following business events occurred for Ringgold Company during Year 1, its first year in operation:

1.1. Issued stock to investors for $45,000 cash
2.2. Borrowed $25,000 cash from the local bank
3.3. Provided services to its customers and received $32,000 cash
4.4. Paid expenses of $28,000
5.5. Paid $22,000 cash for land
6.6. Paid dividend of $12,000 to stockholders
7.7. Repaid $10,000 of the loan listed in item 2

Required:

1.a) Show the effects of the above transactions on the accounting equation, below. Include dollar amounts of increases and decreases. Enter "NA" for elements of the accounting equation that are not affected by the transaction. If one element of the accounting equation is affected by an increase and also by a decrease, enter each part on a separate line (i.e. asset exchange transaction where one asset increases and another asset decreases). (The effects of the first transaction is shown below.)

2.b) After entering all the events, calculate the total amounts of assets, liabilities, and equity at the end of the year.

Event number	Assets	=	Liabilities	+ Equity
1.	45,000		NA	45,000
2.				
3.				
4.				
5.				
6.				
7.				
Total				

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Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

36) Ramirez Company experienced the following events during Year 1:

1.Acquired $50,000 cash by issuing common stock
2.Borrowed $25,000 cash from a creditor
3.Provided services to customers for $38,000 cash
4.Paid $32,000 cash for operating expenses
5.Paid a cash dividend of $2,500 to stockholders
6.Purchased land with cash, $20,000

Required:

1.a) Show how each of these events affects the accounting equation. Enter "NA" for elements of the accounting equation that are not affected by the transaction. If one element of the accounting equation is affected by an increase and also by a decrease, enter each part on a separate line (i.e. asset exchange transaction where one asset increases and another asset decreases). (The effects of the first event are shown below.)

2.b) Calculate the total amount of assets, liabilities, common stock, and retained earnings at the end of the period.

Event number	Assets	= Liabilities	+ Stockholder's Equity	
			Common Stock +	Retained Earnings
1.	50,000	NA	50,000	NA

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2.

3.

4.

5.

6.

Total

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
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Bloom's : Apply

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37) At the beginning of Year 2, the accounting records of Grace Company included the accounts and balances shown on the first row of the table below. During Year 2, the following transactions occurred:

1.Received $95,000 cash for providing services to customers
2.Paid salaries expense, $50,000
3.Purchased land for $12,000 cash
4.Paid $4,000 on note payable
5.Paid operating expenses, $22,000
6.Paid cash dividend, $2,500

Required:

1.a) Record the transactions in the appropriate accounts. Record the amounts of revenue, expense, and dividends in the retained earnings column. Enter 0 for items not affected. Provide appropriate titles for these accounts in the last column of the table. (The effects of the first event are shown below.)

Event	Assets		= Liabilities +	Stockholder's Equity		Accounts Titles for RE
	Cash	Land	Notes Payable	Common Stock	+ Retained Earnings	
Beginning	29,000	32,000	18,000	33,000	10,000	
1						
2						
3						
4						
5						
6						

1.b) What is the amount of total assets as of December 31, Year 2?

2.c) What is the amount of total stockholders' equity as of December 31, Year 2?

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Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

38) Montgomery Company experienced the following events during Year 1 (all were cash events):

1.Issued a note
2.Paid operating expenses
3.Issued common stock
4.Provided services to customers
5.Repaid part of the note in event 1
6.Paid dividends to stockholders

Required:
Indicate how each of these events affects the accounting equation by writing the letter "I" for increase, the letter "D" for decrease, and "NA" for no effect under each of the elements of the accounting equation. Use only one item of entry in each column. (The effects of the first event are shown below.)

Event number	Assets	= Liabilities	+ Stockholder's Equity	
			Common Stock +	Retained Earnings
1.	I	I	NA	NA
2.				
3.				
4.				
5.				

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

6.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Accessibility : Screen Reader Compatible
Bloom's : Analyze
AACSB : Analytical Thinking

39) Indicate how each of the following transactions affects assets by entering "+" for increase, "−" for decrease, or "+/− " if an event increases one asset account and decreases another asset account. Enter only one item for each answer.

_____ 1) Issued stock to investors.
_____ 2) Borrowed cash from the bank.
_____ 3) Provided services for cash.
_____ 4) Paid operating expenses.
_____ 5) Purchased land for cash.
_____ 6) Paid cash dividend to the stockholders.
_____ 7) Repaid the bank loan.

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Accessibility : Screen Reader Compatible
Bloom's : Analyze
AACSB : Analytical Thinking

40) Classify each of the following events as an asset source (designate as "AS"), asset use (designate as "AU"), asset exchange (designate as "AX"), or not an asset source (designate as "NA").

_____ 1) Borrowed cash from the bank
_____ 2) Issued stock for cash
_____ 3) Purchased land for cash
_____ 4) Performed services and collected cash
_____ 5) Paid cash for operating expense
_____ 6) Purchased equipment for cash
_____ 7) Paid dividends to stockholders
_____ 8) Repaid the bank loan with cash

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Topic : Types of Transactions
Learning Objective : 01-04 Classify business events as asset source, asset use, asset exchange, or cl
Accessibility : Screen Reader Compatible
Bloom's : Analyze
AACSB : Analytical Thinking

41) Grimes Corporation reports the following cash transactions for the year ending December 31, Year 1, its first year of operation:

1.1) Issued common stock for $35,000
2.2) Borrowed $25,000 from a local bank
3.3) Purchased land for $40,000
4.4) Provided services to clients for $38,000
5.5) Paid operating expenses of $30,500
6.6) Paid $2,000 cash dividends to stockholders

Required:

1.a) What are the total assets for Grimes Corporation at December 31, Year 1?
2.b) Prepare an income statement for Year 1.

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

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

Young Company
Balance Sheet
For the Year Ended December 31, Year 2

Assets	
Cash	$58,800
Land	25,500
Total assets	$84,300
Liabilities:	
Notes payable	$18,000
Stockholders' equity	
Common stock	50,000
Retained earnings	16,300
Total stockholders' equity	66,300
Total liabilities and stockholders' equity	$84,300

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

During Year 2, Young reported the following transactions:

- Repaid $9,000 to a local bank on a note payable
- Provided services to clients for $27,400 cash
- Paid operating expenses of $20,200
- Paid $4,500 cash dividends to stockholders

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

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

43) Use the following information to prepare an income statement for Penelope Company for the period ending December 31, Year 1. All transactions were for cash.

1.A) Received revenue from services provided to customers, $30,500.
2.B) Paid $19,000 cash for land.
3.C) Issued $16,000 of common stock.
4.D) Paid dividends to stockholders, $3,000.
5.E) Paid operating expenses, $25,400.

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Difficulty : 1 Easy
Gradable : manual
AICPA : FN Measurement
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

44) The following events are for Holiday Travel Services for Year 1, the first year of operations. Assume that all transactions involve the receipt or payment of cash.

1.1) The business acquired $50,000 from stock issued to owners.
2.2) Creditors loaned the company $27,500.
3.3) The company provided services to its customers and received $75,400.
4.4) The company paid expenses amounting to $63,250.
5.5) The company purchased land for $25,000.
6.6) The company paid a dividend of $5,500 to its owners.

Required:
1.a) Show the effects of the above transactions on the accounting equation. (Start by using appropriate element and account headings). For those events that affect retained earnings, provide the appropriate account titles in a separate column. Enter a "0" if a transaction does not affect a given account.

Event Number		=	+		Accounts Titles for RE
	+	=	+	+	
1					

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2

3

4

5

6

Total

1.b) Prepare an income statement and balance sheet for and as of the end of Year 1.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

45) The following transactions apply to Wilson Fitness Center for Year 1.

1.1) Started the business by issuing $48,000 of common stock for cash.
2.2) Provided services to clients and received $65,500 cash.
3.3) Borrowed $10,500 from the bank.
4.4) Paid $8,500 for rent of equipment.
5.5) Purchased land for $15,000.
6.6) Paid $46,600 of salary expense.
7.7) Cash dividends of $4,000 were paid to the stockholders.

Required:

1.a) What are the total assets of the business at the end of Year 1?
2.b) Prepare a statement of cash flows for Year 1.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 3 Hard

46) The following is a partial set of financial statements prepared for the company's first year of operations. All transactions were for cash.

Required:

Fill in the missing information by determining the amounts represented by letters a through d.

Income Statement

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Revenue	$ a
Expense	6,200
Net income	$ b

Statement of Changes in Stockholders' Equity

Beginning common stock	$ 0
Plus: Issuance of common stock	11,000
Ending common stock	11,000
Beginning retained earnings	$ 0
Add: Net income	3,500
Ending retained earnings	$ c
Total stockholders' equity	$ d

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Learning Objective : 01-08 Prepare and interpret a statement of changes in stockholders' equity.
Topic : Statement of Changes in Stockholders' Equity
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

47) The following is a partial set of financial statements prepared for the company's first year of operations. All transactions were for cash.

Required:
Fill in the blanks indicated by the alphabetic letters in the following financial statements.

Income Statement

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

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Statement of Changes in Stockholders' Equity

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

Balance Sheet

Assets	
Cash	$ f
Land	20,000
Total assets	$ 120,000
Liabilities	g
Stockholders' equity	
Common stock	80,000
Retained earnings	h
Total stockholders' equity	i
Total liabilities and stockholders' equity	$ 120,000

Statement of Cash Flows

Cash flows from operating activities	
Cash receipt from revenue	$ 44,000
Cash payment for expense	j
Net cash flow from operating activities	k
Cash flows for investing activities	
Cash payment for land	(20,000)
Cash flows from financing activities	
Cash receipt from loan	l
Cash receipt from stock issue	80,000
Cash dividend paid to owners	(12,000)
Net cash flow from financing activities	92,000
Net increase in cash	$ 100,000

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.
Learning Objective : 01-08 Prepare and interpret a statement of changes in stockholders' equity.
Topic : Statement of Changes in Stockholders' Equity
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 3 Hard

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

1.1) Issued stock to investors, $48,000.
2.2) The company borrowed $42,000 cash from the bank.
3.3) Services were provided to customers and $50,000 cash was received.
4.4) The company acquired land for $44,000.
5.5) The company paid $34,000 rent for the building where it does its business.
6.6) The company paid $3,200 for supplies that were used during the period.
7.7) The company sold the land acquired in item 5 for $44,000.
8.8) A dividend of $1,000 was paid to the owners.
9.9) Repaid $20,000 of the loan described in item 2.

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

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.
Learning Objective : 01-08 Prepare and interpret a statement of changes in stockholders' equity.
Topic : Statement of Changes in Stockholders' Equity
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 3 Hard

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

Required:

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

2.b) What would the amount be for net cash flows from operating activities?

3.c) What would be the end-of-year balance for the cash account?

4.d) What would be the amount of the total assets for the Rosemont Company at the end of Year 1?

5.e) What would be the end-of-year balance for the Retained Earnings account?

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

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

Required:

1.1) Show the effects of the above transactions on the accounting equation. (Start by using appropriate element and account headings). Enter a "0" if a transaction does not affect a given account.

2.2) Prepare an income statement for the Year 1 accounting period.

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Topic : Preparing a Balance Sheet
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

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

1.Issued common stock for $15,000 cash
2.Earned cash revenue of $28,000
3.Paid cash expenses of $20,500.

These were the only events that affected the company during the year.

Required:

1.a) Show the effects of the above transactions on the accounting equation. (Start by using appropriate element and account headings). Leave the cell blank if a transaction does not affect a given account.

2.b) Prepare an income statement for Year 1 and a balance sheet as of December 31, Year 1.

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Topic : Preparing a Balance Sheet
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

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

1.Received cash revenue of $25,500
2.Paid cash expenses of $20,000
3.Issued common stock for $30,000 cash
4.Paid cash dividend of $2,000 to owners.

Required:

1.a) Show the effects of the above transactions on the accounting equation. (Start by using appropriate element and account headings). Leave the cell blank if a transaction does not affect a given account.

2.b) Prepare the Year 1 income statement and balance sheet for Fieldstone Company.

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

53) Kent Corporation is trying to prepare their annual financial statements. From the list below, indicate whether the item should appear on the Income Statement, Balance Sheet, Statement of Changes in Stockholders' Equity or Statement of Cash Flows. Use IS for Income Statement, BS for Balance Sheet, SE for Statement of Changes in Stockholders' Equity and CF for Statement of Cash Flows. Note that some items may appear on more than one financial statement.

a.Total Assets
b.Land
c.Common Stock
d.Net Change in Cash
e.Revenue
f.Notes Payable
g.Stockholders' Equity
h.Total Liabilities
i.Expenses
j.Net Income
k.Ending Cash Balance
l.Beginning Cash Balance
m.Dividends

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Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Learning Objective : 01-10 Identify the ways financial statements interrelate.
Topic : Financial Statement Articulation
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

54) Lace Corporation is trying to prepare the balance sheet for year-end. Indicate whether each of the following financial statement components should be reported within Assets, Liabilities, or Stockholders′ equity.

a.Common Stock
b.Land
c.Note Payable
d.Cash
e.Retained Earnings

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

55) Using the information provided in Garber Corporation's balance sheet. Calculate the following financial statement elements as a percentage of assets:

1.a) the total liabilities
2.b) common stock
3.c) retained earnings
4.d) total stockholder's equity
5.e) total liabilities and stockholders' equity

Garber Corporation
Balance Sheet
As of December 31, Year 1

Assets	
Cash	$ 81,800
Land	0
Total assets	$ 81,800
Liabilities	
Notes payable	$ 22,000
Stockholders' equity	
Common stock	48,000
Retained earnings	11,800
Total stockholders' equity	59,800
Total liabilities and stockholders' equity	$ 81,800

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

56) Car Company recorded this month's transactions in the accounting equation shown below. Based on the accounting equation, what is the maximum dividend the company could pay to shareholders?

Event	Assets	=	Liabilities	+	Stockholder's Equity		
	Cash				Common Stock	+	Retained Earnings
1.	25,500						25,500
2.	(20,000)						(20,000)
3.	30,000				30,000		
4.	(2,000)						(2,000)
Totals	33,500				30,000		3,500

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Gradable : manual
AICPA : FN Measurement
Difficulty : 2 Medium
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet
Accessibility : Screen Reader Compatible
AACSB : Knowledge Application
Bloom's : Apply

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01
Answer Key

Test name: CH01

1)

Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
I		NA		I		NA

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

2)

Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
I		I		NA		NA

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

3)

Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
I		NA		NA		I

This is an asset source transaction that increases the business's assets (Cash) and stockholders' equity (Retained Earnings).

4)

Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
I/D		NA		NA		NA

Purchasing land for cash is an asset exchange transaction that increases one asset (Land) and decreases another asset (Cash).

5)

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Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
D		NA		NA		D

Paying expenses is an asset use transaction that decreases the business's assets (Cash) and decreases its stockholders' equity (Retained earnings).

6)

Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
D		NA		NA		D

Paying a cash dividend is an asset use transaction that decreases a business's assets (Cash) and its stockholders' equity (Retained earnings).

7)

Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
I		I		NA		NA

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

8) The Financial Accounting Standards Board (FASB)

The Financial Accounting Standards Board (FASB) is a privately funded organization with the primary authority for establishing accounting standards in the United States.

9) Markets include consumers, businesses, and resource owners. Consumers use resources. Business convert resources to the form that consumers want. Resource owners control the distribution of resources to conversion agents.

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10) Stakeholders are the parties that are interested in operations of an organization. Stakeholders often are users or potential users of accounting information. Stakeholders include resource providers, financial analysts, brokers, attorneys, government regulators and news reporters.

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

12) Financial accounting is designed to satisfy the needs of external resource providers (external users) and must adhere to Generally Accepted Accounting Principles. Managerial accounting, however, provides information that is useful to managers within a business (internal users), and does not have to follow GAAP.

13) Similarities: Both types of organizations commonly use specific resources to satisfy consumer demand. These resources are financial resources, physical resources, and labor resources. Accounting systems are used by both types of organizations to measure the cost of the goods and services that are provided, the efficiency and effectiveness of the organizations' operations, and the ability of the organizations to continue to provide goods and services.

Differences: Not-for-profit organizations are established primarily for motives other than making a profit, while most other businesses are motivated by profit. As a result, factors other than profitability influence the resource allocation priorities of not-for-profit organizations.

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14) A business's balance sheet shows the elements: assets, liabilities, and stockholders' equity.

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

16) Providing services for cash increases assets and increases stockholders' equity. It is considered an asset source transaction.

17) Paying dividends decreases assets (Cash) and decreases stockholders' equity (Retained Earnings). It is considered an asset use transaction.

18) $225,000 Assets = Liabilities $75,000 + Stockholders' Equity $150,000; Assets = $225,000

19) When a business acquires assets from investors, it commits to keep the assets safe and to use the assets in a manner that benefits the investors. The business also grants the investor an ownership interest in the business, thereby allowing the investor (owner) to share in the profits generated by the business. In accounting terms investors are called *stockholders*. A business's commitment to its stockholders is called stockholders' equity.

20) Paid loan, paid expense, and paid dividends to stockholders.

Asset use transactions involve a decrease in assets (for example, Cash) and will also result in a decrease in either liabilities (Notes Payable) or stockholders' equity (Retained Earnings).

21) The statement of cash flows tells how a company obtained and used cash during the accounting period.

The statement of cash flows explains the change in cash from the beginning to the end of the period.

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22) Issuing stock is reported in the financing activities section.

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

23) The Income Statement

The income statement reports on how a business performed during a specific accounting period. Business performance is defined as the benefits earned from customers (revenue) minus the sacrifices that were incurred (expenses) to earn those benefits (revenues).

24) The balance sheet lists the assets of a business and corresponding claims (liabilities and stockholders' equity) on those assets. It draws its name from the accounting equation.

The income statement matches revenue (benefits) with the expenses (sacrifices) that were incurred to generate the revenue.

The statement of changes in stockholders' equity is used to explain the effects of transactions on stockholders' equity during an accounting period.

The statement of cash flows explains how a company obtained and used cash during the accounting period. The statement of cash flows classifies cash receipts (inflows) and payments (outflows) into three categories: financing activities, investing activities, and operating activities.

25) An accounting period is the span of time covered by the financial statements, normally one year; the span of time for which income is measured. The practice of pairing together on the income statement revenues and expenses that were incurred in the same accounting period is known as the matching concept.

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26) a) F b) F c) T d) T e) F

Financial resources are provided to a business by investors and creditors. Businesses, not resource owners, transform resources into products. Resource owners are the main providers of resources in any market.

27) a) F b) T c) T d) T e) F

Financial accounting is primarily intended for external, not internal, stakeholders. Managerial accounting information is usually more detailed than financial accounting information.

28) a) T b) T c) F d) T e) F

Liabilities are reported on the balance sheet. The accounting equation requires that assets be equal to liabilities plus stockholders' equity. Liabilities are reported on the balance sheet, not on the statement of cash flows.

29) a) T b) F c) F d) F e) T

Issuing common stock for cash increases the common stock account, not retained earnings. Net income increases retained earnings, but does not necessarily equal its total. The purchase of a truck increases one asset (Truck) and decreases another asset (Cash) or increases a liability (Note Payable). Retained earnings includes all net income that a company has earned in its existence that has not been paid out in dividends.

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30) a) T b) F c) F d) T e) F

The issuance of stock to owners for cash is an example of an asset source, not asset exchange, transaction. Purchasing equipment for cash is an example of an asset exchange transaction in which one asset (Cash) decreases and another asset (Equipment) increases. Making a payment on a bank loan is an example of an asset use, not asset exchange, transaction.

31) a) F b) T c) F d) T e) F

A cash dividend paid to stockholders is reported in the financing activities section of the statement of cash flows. A cash dividend paid to stockholders is reported on the statement of changes in stockholders' equity, not on the income statement. Changes in retained earnings for the accounting period are reported on the statement of changes in stockholders' equity, not on the income statement.

32) a) T b) T c) F d) F e) T

Loans received from a bank increase assets and liabilities, but do not affect retained earnings. Dividends paid to stockholders decrease retained earnings, not common stock.

33) Accounting Equation

(a) and (b)

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

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	(22,000)		
6.	(15,000)		(15,000)
7.	(12,000)	(12,000)	
Totals	22,600	6,000	16,600

34) 1.a) $210,000

2.b) $225,000

3.c) $90,000

a) Assets = liabilities +stockholders' equity = $95,000 + 115,000 = $210,000

b) Assets − liabilities = stockholders' equity. Stockholders' equity = $320,000 − 95,000 = $225,000

c) Assets = claims. Total amount of claims = $90,000

35)

Event number	**Assets**	**=**	**Liabilities**	**+**	**Equity**
1.	45,000		NA		45,000
2.	25,000		25,000		NA
3.	32,000		NA		32,000
4.	(28,000)		NA		(28,000)
5.	22,000		NA		NA
	(22,000)		NA		NA
6.	(12,000)		NA		(12,000)
7.	(10,000)		(10,000)		NA
Total	52,000		15,000		37,000

36)

Event	**Assets**	**=**	**Liabilities**	**+**	**Stockholder's Equity**

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number			Common Stock	+ Retained Earnings
1.	50,000	NA	50,000	NA
2.	25,000	25,000	NA	NA
3.	38,000	NA	NA	38,000
4.	(32,000)	NA	NA	(32,000)
5.	(2,500)	NA	NA	(2,500)
6.	20,000			
	(20,000)	NA	NA	NA
Total	78,500	25,000	50,000	3,500

37) a)

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

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b) What is the amount of total assets as of December 31, Year 2?

c) What is the amount of total stockholders' equity as of December 31, Year 2?

38)

Event number	Assets	= Liabilities	+ Stockholder's Equity	
			Common Stock +	Retained Earnings
1.	I	I	NA	NA
2.	D	NA	NA	D
3.	I	NA	I	NA
4.	I	NA	NA	I
5.	D	D	NA	NA
6.	D	NA	NA	D

39) 1) +, 2) +, 3) +, 4) −, 5) +/−, 6) −, 7) −

40) 1) AS 2) AS 3) AX 4) AS 5) AU 6) AX 7) AU 8) AU

41) a) Total assets = $35,000 + $25,000 + $38,000 − $30,500 − $2,000 = $65,500x

b)

Grimes Corporation
Income Statement
For the Year Ended December 31, Year 1

Revenue	$38,000
Operating expenses	(30,500)
Net income	$ 7,500

42)

Young Company
Balance Sheet
For the Year Ended December 31, Year 2

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Assets	
Cash	$52,500
Land	25,500
Total assets	$78,000
Liabilities:	
Notes payable	$ 9,000
Stockholders' equity	
Common stock	50,000
Retained earnings	19,000
Total stockholders' equity	69,000
Total liabilities and stockholders' equity	$78,000

Ending balances: Cash ($58,800−$9,000+$27,400−$20,200−$4,500); Land − No change; Notes payable ($18,000 − $9,000); Common stock − No change; Retained earnings ($16,300+$27,400−$20,200−$4,500)

43)

Penelope Company
Income Statement
For the Year Ended December 31, Year 1

Revenue	$ 30,500
Operating expenses	(25,400)
Net income	$ 5,100

Only revenue and expenses are reported on the income statement. Purchasing land, paying dividends, and issuing common stock do not affect the income statement.

44) a)

Event Number	Assets		= Liabilities	+ Stockholder's Equity		Other Account Titles
	Cash	Land	= Notes Payable	+ Common Stock	+ Retained Earnings	
1	50,000	0	0	50,000	0	
2	27,500	0	27,500	0	0	

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3	75,400	0	0	0	75,400	Service Revenue
4	(63,250)	0	0	0	(63,250)	Operating Expense
5	(25,000)	25,000	0	0	0	
6	(5,500)	0	0	0	5,500	Dividends
Total	59,150	25,000	27,500	50,000	6,650	

b)

Holiday Travel Services
Income Statement
For the Year Ended December 31, Year 1

Service revenue	$75,400
Operating expenses	(63,250)
Net income	$12,150

Holiday Travel Services
Balance Sheet
As of December 31, Year 1

Assets	
Cash	$59,150
Land	25,000
Total assets	$84,150
Liabilities	
Notes payable	$27,500
Stockholders' equity	
Common stock	50,000
Retained earnings	6,650
Total stockholders' equity	56,650
Total liabilities and stockholders' equity	$84,150

45) a) Total assets = $48,000 + $65,500 + $10,500 − $8,500 + $15,000 − $15,000 − $46,600 − $4,000 = $64,900

b)

Wilson Fitness Center

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Statement of Cash Flows
For the Year Ended December 31, Year 2

Cash flows from operating activities	
Cash receipt from revenue	$ 65,500
Cash payment for expense	(55,100)
Net cash flow from operating activities	$ 10,400
Cash flows for investing activities	
Cash payment for land	$ (15,000)
Cash flows from financing activities	
Cash receipt from loan	10,500
Cash receipt from stock issue	48,000
Cash dividend paid to owners	(4,000)
Net cash flow from financing activities	$ 54,500
Net increase in cash	49,900
Plus: Beginning cash balance	0
Ending cash balance	$ 49,900

46) a) $9,700, b) $3,500, c) $3,500, d) $14,500

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47) a = 16,000
b = 28,000
c = 28,000
d = 12,000
e = 96,000
f = 100,000
g = 24,000
h = 16,000
i = 96,000
j = (16,000)
k = 28,000
l = 24,000
Solve for "l" first: l + 80,000 − 12,000 = 92,000; l = 24,000
Next, solve for "k": k − 20,000 + 92,000 = 100,000; k = 28,000
Next, solve for "j": 44,000 − j = 28,000; j = 16,000
Next, solve for "a": a = j; a = 16,000
Next, solve for "b": 44,000 − 16,000 = b; b = 28,000
Next, solve for "c": c = b; c = 28,000
Next, solve for "d": 0 + 28,000 − d = 8,000; d = 12,000 (can also be taken from statement of cash flows)
Next, solve for "e": 80,000 + 16,000 = 96,000
Next, solve for "f": f + 20,000 = 120,000; f = 100,000
Next, solve for "h": h = 16,000 (taken from statement of changes in stockholders' equity)
Next, solve for "i": 80,000 + 16,000 = i; i = 96,000
Last, solve for "g": g + 96,000 = 120,000; g = 24,000

48) a)

Garber Corporation
Income Statement
For the Year Ended December 31, Year 1

Service revenue	$ 50,000

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Operating expenses	(37,200)
Net income	$ 12,800

Garber Corporation
Statement of Changes in Stockholders' Equity
For the Year Ended December 31, Year 1

Beginning common stock	$ 0
Add: Common stock issued	48,000
Ending common stock	48,000
Beginning retained earnings	0
Add: Net income	12,800
Less: Dividends	(1,000)
Ending retained earnings	11,800
Total stockholders' equity	$ 59,800

Garber Corporation
Balance Sheet
As of December 31, Year 1

Assets	
Cash	$ 81,800
Land	0
Total assets	$ 81,800
Liabilities	
Notes payable	$ 22,000
Stockholders' equity	
Common stock	48,000
Retained earnings	11,800
Total stockholders' equity	59,800
Total liabilities and stockholders' equity	$ 81,800

b)

Garber Corporation
Statement of Cash Flows
For the Year Ended December 31, Year 1

Cash flows from operating activities	
Cash receipt from revenue	$ 50,000

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Cash payment for expense	(37,200)
Net cash flow from operating activities	12,800
Cash flows for investing activities	
Cash receipt from sale of land	44,000
Cash payment for land	(44,000)
Net cash flow for investing activities	0
Cash flows from financing activities	
Cash receipt from loan	42,000
Cash receipt from stock issue	48,000
Cash repayment of loan	(20,000)
Cash dividend paid to owners	(1,000)
Net cash flow from financing activities	69,000
Net increase in cash	81,800
Plus: Beginning cash balance	0
Ending cash balance	$ 81,800

49) 1.a)

Transaction	Description	Section of Statement of Cash Flows
1	Issued stock for $60,000 cash	Financing activities
2	Borrowed $50,000 cash from bank	Financing activities
3	Provided services to customers, $35,000	Operating activities
4	Purchased land for $70,000	Investing activities
5	Paid cash for salaries, $10,000	Operating activities
6	Paid cash dividends, $8,000	Financing activities

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2.b) Net cash flows from operating activities = $25,000 ($35,000 − 10,000)

3.c) Cash account balance: $57,000 ($60,000 + $50,000 + $35,000 − $70,000 − $10,000 − $8,000)

4.d) Total Assets = $127,000 (Cash = $57,000; Land = $70,000)

5.e) Retained earnings balance: $17,000 ($35,000 − 10,000 − 8,000)

50) 1.1)

Event	Assets		= Liabilities	+ Stockholder's Equity	
	Cash	Land	Notes Payable	Common Stock	+ Retained Earnings
Issued stock	60,000	0	0	60,000	0
Borrowed cash	40,000	0	40,000	0	0
Revenue	72,000	0	0	0	72,000
Land purchase	(80,000)	80,000	0	0	0
Salaries	(50,000)	0	0	0	(50,000)
Dividends	(10,000)	0	0	0	(10,000)
Ending balances	32,000	80,000	40,000	60,000	12,000

2.2)

Campbell Company
Income Statement
For the Year Ended December 31, Year 1

Service revenue	$ 72,000
Operating expenses	(50,000)
Net income	$ 22,000

51) 1.a)

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Event	Assets	= Liabilities	+ Stockholder's Equity	
	Cash		Common Stock	+ Retained Earnings
1.	15,000		15,000	
2.	28,000			28,000
3.	(20,500)			(20,500)

Pinehurst Company
Balance Sheet
As of December 31, Year 1

Assets	
Cash	$ 22,500
Liabilities	$ 0
Stockholders' equity	
Common stock	15,000
Retained earnings	7,500
Total stockholders' equity	22,500
Total liabilities and stockholders' equity	$ 22,500

2.b)

Pinehurst Company
Income Statement
For the Year Ended December 31, Year 1

Service revenue	$ 28,000
Operating expenses	(20,500)
Net income	$ 7,500

52) a)

Event	Assets	= Liabilities	+ Stockholder's Equity	
	Cash		Common Stock	+ Retained Earnings
1.	25,500			25,500
2.	(20,000)			(20,000)

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3.	30,000	30,000	
4.	(2,000)		(2,000)
Totals	33,500	30,000	3,500

b)

Fieldstone Company
Income Statement
For the Year Ended December 31, Year 1

Service revenue	$ 25,500
Operating expenses	(20,000)
Net income	$ 5,500

Fieldstone Company
Balance Sheet
As of December 31, Year 1

Assets	
Cash	$ 33,500
Total Assets	$ 33,500
Liabilities	$ 0
Stockholders' equity	
Common stock	30,000
Retained earnings	3,500
Total stockholders' equity	33,500
Total liabilities and stockholders' equity	$ 33,500

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53) a.BS
b.BS
c.BS and SE
d.CF
e.IS
f.BS
g.BS and SE
h.BS
i.IS
j.IS and SE
k.BS and CF
l.CF
m.SE and CF

54) a.Stockholders' equity
b.Assets
c.Liabilities
d.Assets
e.Stockholders' equity

55) a.$22,000/ $81,800 = 26.89%
b.$48,000/ $81,800 = 58.68%
c.$11,800/ $81,800 = 14.43%
d.$59,800/ $81,800 = 73.11%
e.$81,800/ $81,800 = 100%

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56) The maximum dividend a company can pay depends on two factors: the amount of cash and the amount of retained earnings. In this case, Car Company is limited by the amount of retained earnings and can only pay a $3,500 dividend to its owners.

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CORRECT ANSWERS ARE LOCATED AT THE SECOND PART OF THIS DOCUMENT

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

1) In a market, creditors are resource providers.

1) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Resource Management
Learning Objective : 01-01 Identify the ways accounting benefits society.
Topic : Role of Accounting In Society

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

2) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-01 Identify the ways accounting benefits society.
Topic : Role of Accounting In Society
AICPA : BB Industry

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

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3) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
AICPA : BB Resource Management
Learning Objective : 01-01 Identify the ways accounting benefits society.
Topic : Role of Accounting In Society

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

4) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Resource Management
Learning Objective : 01-01 Identify the ways accounting benefits society.
Topic : Role of Accounting In Society

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

5) _____

◎ true
◎ false

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-01 Identify the ways accounting benefits society.
Topic : Role of Accounting In Society
AICPA : BB Industry

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

6) _____

◎ true
◎ false

Question Details
AICPA : BB Critical Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-01 Identify the ways accounting benefits society.
Topic : Role of Accounting In Society

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

7) _____

◎ true
◎ false

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Question Details
Learning Objective : 01-02 Identify reporting entities.
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
Topic : Reporting Entities
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy

8) Land is an element of the financial statements.

8) _____

◎ true
◎ false

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation
Bloom's : Remember
Difficulty : 1 Easy

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

9) _____

◎ true
◎ false

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation

10) Liabilities are not a source of assets for a business.

10) _____

- ◎ true
- ◎ false

Question Details
AICPA : BB Critical Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation

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

11) _____

- ◎ true
- ◎ false

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Question Details
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation
AICPA : BB Resource Management

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

12) _____

- ◎ true
- ◎ false

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Bloom's : Remember

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

13) _____

- ◎ true
- ◎ false

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Question Details
Bloom's : Understand
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Difficulty : 1 Easy
AICPA : BB Resource Management
Topic : Types of Transactions
Learning Objective : 01-04 Classify business events as asset source, asset use, asset exchange, or cl

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

14) _____

◎ true
◎ false

Question Details
Bloom's : Understand
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Difficulty : 1 Easy
AICPA : BB Resource Management
Topic : Types of Transactions
Learning Objective : 01-04 Classify business events as asset source, asset use, asset exchange, or cl

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

15) _____

◎ true
◎ false

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Question Details
AICPA : BB Critical Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.

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

- ◎ true
- ◎ false

Question Details
AICPA : BB Critical Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Difficulty : 1 Easy
Learning Objective : 01-10 Identify the ways financial statements interrelate.
Topic : Financial Statement Articulation

17) The dividends a business pays to its owners appear on the income statement.
17) _____

- ◎ true
- ◎ false

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement

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

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

18) _____

A) Securities and Exchange Commission
B) U.S. Congress
C) International Accounting Standards Board
D) Financial Accounting Standards Board

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-01 Identify the ways accounting benefits society.
Topic : Role of Accounting In Society
AICPA : BB Legal

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

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19) _____

A) Business
B) Regulatory agency
C) Consumer
D) Resource owner

Question Details
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-01 Identify the ways accounting benefits society.
Topic : Role of Accounting In Society
AICPA : BB Industry

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

20) _____

A) Consumers
B) Creditors
C) Investors
D) Owners

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-01 Identify the ways accounting benefits society.
Topic : Role of Accounting In Society

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

21) _____

A) Cost accounting
B) Managerial accounting
C) Tax accounting
D) Financial accounting

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-01 Identify the ways accounting benefits society.
Topic : Role of Accounting In Society

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

22) _____

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A) It is often used by investors.
B) It is more detailed than financial accounting information.
C) It can include nonfinancial information.
D) It focuses on divisional rather than overall profitability.

Question Details
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-01 Identify the ways accounting benefits society.
Topic : Role of Accounting In Society
AICPA : BB Industry

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

23) _____

A) Generally Accepted Accounting Principles
B) Generally Applied Accounting Procedures
C) Governmentally Approved Accounting Practices
D) Generally Authorized Auditing Principles

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Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-01 Identify the ways accounting benefits society.
Topic : Role of Accounting In Society

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

24) _____

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

Question Details
Learning Objective : 01-02 Identify reporting entities.
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
Topic : Reporting Entities
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
AICPA : BB Global

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

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25) _____

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

Question Details
Learning Objective : 01-02 Identify reporting entities.
AICPA : BB Critical Thinking
Bloom's : Understand
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
Topic : Reporting Entities
AICPA : FN Measurement

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

Option	Jack Henry	Wooden Wheels	Walt Bank
A.	$150,000 increase	$650,000 increase	$800,000 decrease
B.	$800,000 increase	$650,000 increase	$150,000 decrease
C.	$800,000 decrease	$800,000 increase	$650,000 decrease
D.	$650,000 increase	$150,000 increase	$800,000 decrease

26) _____

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

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Question Details
Learning Objective : 01-02 Identify reporting entities.
AICPA : BB Critical Thinking
Bloom's : Understand
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
Topic : Reporting Entities
AICPA : FN Measurement

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

27) _____

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

Question Details
Learning Objective : 01-02 Identify reporting entities.
AICPA : BB Critical Thinking
Bloom's : Understand
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
Topic : Reporting Entities

28) Which of the following is an example of revenue?

28) _____

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

Question Details
AICPA : BB Critical Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement

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

29) _____

A) Stockholders' Equity
B) Liabilities
C) Assets
D) Cash

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Question Details
AICPA : BB Critical Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation

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

30) _____

A) An obligation to creditors.
B) A resource that will be used to produce revenue.
C) A transfer of wealth from the business to its owners.
D) A sacrifice incurred from operating the business.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation
Bloom's : Remember
Difficulty : 1 Easy

31) Which of the following is a source of assets?

31) _____

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A) Creditors
B) Investors
C) Operations
D) All the answers represent sources of assets.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation
Bloom's : Remember
Difficulty : 1 Easy

32) If total assets decrease, then

32) _____

A) liabilities must increase and retained earnings must decrease.
B) common stock must decrease and retained earnings must increase.
C) liabilities, common stock, or retained earnings must decrease.
D) liabilities, common stock, or retained earnings must increase.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation
Bloom's : Remember
Difficulty : 1 Easy

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33) Liabilities

33) _____

A) represent obligations to repay debts.
B) may increase when assets increase.
C) are found on the claims side of the accounting equation.
D) All of the answers are characteristics of liabilities.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation
Bloom's : Remember
Difficulty : 1 Easy

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

34) _____

A) Liability
B) Dividend
C) Common stock
D) Retained earnings

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation
Bloom's : Remember
Difficulty : 1 Easy

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

35) _____

A) Assets = Liabilities + Common Stock + Retained Earnings
B) Assets = Liabilities + Common Stock − Expenses
C) Assets = Liabilities + Retained Earnings − Dividends
D) Assets = Liabilities + Common Stock + Dividends

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation
Bloom's : Remember
Difficulty : 1 Easy

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

36) _____

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A) Liability
B) Dividend
C) Retained earnings
D) Common stock

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation
Bloom's : Remember
Difficulty : 1 Easy

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

37) _____

A) $400
B) $600
C) $1,600
D) Cannot be determined

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation
Bloom's : Remember
Difficulty : 1 Easy

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

38) _____

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

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Bloom's : Apply
Difficulty : 3 Hard

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39) Stosch Company's balance sheet reported assets of $112,000, liabilities of $29,000 and common stock of $26,000 as of December 31, Year 1. Retained earnings on the December 31, Year 2 balance sheet is $74,000 and Stosch paid a $28,000 dividend during Year 2. What is the amount of net income for Year 2?

39) _____

A) $57,000
B) $45,000
C) $17,000
D) $28,000

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Bloom's : Apply
Difficulty : 3 Hard
Type : Algorithmic

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

40) _____

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

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Bloom's : Apply
Difficulty : 3 Hard

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

41) _____

A) Assets increased.
B) Stockholders' Equity increased.
C) Claims increased.
D) Assets, claims, and Stockholders' Equity all increased.

Question Details
AICPA : BB Critical Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.

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

42) _____

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A) $300
B) $500
C) $700
D) Cannot be determined.

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation
Difficulty : 1 Easy
Bloom's : Apply

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

43) _____

A) Revenues were greater than expenses during the period.
B) Retained earnings were less than net income during the period.
C) No dividends were paid during the period.
D) The company must have purchased assets with cash during the period.

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Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Difficulty : 3 Hard
AACSB : Analytical Thinking
Bloom's : Analyze

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

44) _____

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

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Difficulty : 1 Easy
AACSB : Analytical Thinking
Bloom's : Analyze

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

45) _____

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A) 25% of Turner's assets are the result of prior earnings.
B) $5,000 is the maximum dividend that can be paid to shareholders.
C) 40% of Turner's assets are the result of borrowing from creditors.
D) 25% of Turner's assets are from prior earnings, $5,000 is the maximum possible dividend, and 40% of assets are the result of borrowed resources.

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

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

46) _____

A) 60%
B) 25%
C) 40%
D) 35%

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Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

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

47) _____

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

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Bloom's : Apply
Difficulty : 3 Hard

48) When a business provides services for cash, what is the effect on the accounting equation are affected?

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48) _____

A) Revenue and Expense
B) Cash and Retained Earnings
C) Cash and Expense
D) Cash and Dividends

Question Details
Bloom's : Understand
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Difficulty : 1 Easy
AICPA : BB Resource Management

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

49) _____

A) Assets increased by $6,500.
B) Assets increased by $1,500.
C) Stockholders' equity increased by $2,500.
D) Assets increased by $5,500.

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Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Resource Management

50) At the end of Year 2, retained earnings for the Baker Company was $2,150. Revenue earned by the company in Year 2 was $2,400, expenses paid during the period were $1,300, and dividends paid during the period were $700. Based on this information alone, what was the amount of retained earnings at the beginning of Year 2?

50) _____

A) $1,050
B) $1,750
C) $4,800
D) $2,550

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Difficulty : 3 Hard
Type : Algorithmic
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet
AICPA : BB Resource Management
Learning Objective : 01-10 Identify the ways financial statements interrelate.
Topic : Financial Statement Articulation

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

51) _____

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

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet
AICPA : BB Resource Management
Learning Objective : 01-10 Identify the ways financial statements interrelate.
Topic : Financial Statement Articulation

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

52) _____

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

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Question Details
Bloom's : Understand
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Difficulty : 1 Easy
AICPA : BB Resource Management
Topic : Types of Transactions
Learning Objective : 01-04 Classify business events as asset source, asset use, asset exchange, or cl

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

53) _____

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

Question Details
Bloom's : Understand
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Difficulty : 1 Easy
AICPA : BB Resource Management
Topic : Types of Transactions
Learning Objective : 01-04 Classify business events as asset source, asset use, asset exchange, or cl

54) Tandem Company borrowed $32,000 of cash from a local bank. Which of the following choices accurately reflects how this event affects the accounting equation?

Assets	=	Liabilities	+	Common Stock	+	Retained Earnings

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A.	NA	=	32,000	+	NA	+	32,000
B.	32,000	=	NA	+	32,000	+	NA
C.	32,000	=	NA	+	NA	+	32,000
D.	32,000	=	32,000	+	NA	+	NA

54) _____

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

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Learning Objective : 01-03 Identify the components of the accounting equation.
Topic : Creating an Accounting Equation
Difficulty : 1 Easy
AACSB : Analytical Thinking
Bloom's : Analyze

55) Which of the following could describe the effects of an asset exchange transaction on a company's total assets, total liabilities and total stockholders' equity?

	Assets	**=**	**Liabilities**	**+**	**Stockholders' Equity**
A.	+ −	=	NA	+	NA
B.	+	=	NA	+	+
C.	−	=	NA	+	−
D.	+ −	=	NA	+	+ −

55) _____

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

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Difficulty : 1 Easy
AACSB : Analytical Thinking
Bloom's : Analyze
Topic : Types of Transactions
Learning Objective : 01-04 Classify business events as asset source, asset use, asset exchange, or cl

56) Which of the following describes the effects of an asset use transaction on the accounting equation?

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

56) _____

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

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Analyze
Topic : Types of Transactions
Learning Objective : 01-04 Classify business events as asset source, asset use, asset exchange, or cl

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

57) _____

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

Question Details
Bloom's : Understand
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Difficulty : 1 Easy
AICPA : BB Resource Management

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

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

Based on this information the amount of net income is

58) _____

A) $2,100.
B) $2,600.
C) $3,600.
D) $5,600.

Question Details
AICPA : BB Critical Thinking
Bloom's : Understand
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement

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

	Accounting Equation				
	Assets	**=**	**Liabilities**	**+**	**Stockholders' Equity**
A.	−	=	+	+	NA
B.	+/−	=	NA	+	NA
C.	−	=	NA	+	+
D.	−	=	NA	+	−

59) _____

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

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Bloom's : Remember
Difficulty : 1 Easy

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

	Accounting Equation				
	Assets	**=**	**Liabilities**	**+**	**Stockholders' Equity**
A.	+	=	NA	+	NA
B.	+	=	NA	+	+
C.	−	=	NA	+	+
D.	−	=	NA	+	−

60) _____

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

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Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Bloom's : Remember
Difficulty : 1 Easy

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

61) _____

A) Retained Earnings and Assets
B) Assets and Liabilities
C) Common Stock and Retained Earnings
D) Liabilities and Common Stock

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-08 Prepare and interpret a statement of changes in stockholders' equity.
Topic : Statement of Changes in Stockholders' Equity

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

62) _____

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

A) Borrowed $5,000 cash from the bank.
B) Paid a $100 cash dividend to the owners.
C) Purchased land for $2,000 cash.
D) Paid $1,500 cash to pay off a portion of its note payable.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-08 Prepare and interpret a statement of changes in stockholders' equity.
Topic : Statement of Changes in Stockholders′ Equity

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

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

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

63) _____

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

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Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-08 Prepare and interpret a statement of changes in stockholders' equity.
Topic : Statement of Changes in Stockholders′ Equity

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

64) _____

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

Question Details
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
AICPA : BB Resource Management
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

65) Jackson Company had a net increase in cash from operating activities of $9,800 and a net decrease in cash from financing activities of $3,700. If the beginning and ending cash balances for the company were $4,800 and $14,600, what was the net cash change from investing activities?

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65) _____

A) An outflow or decrease of $3,700.
B) An inflow or increase of $1,100.
C) An inflow or increase of $3,700.
D) Zero.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Difficulty : 3 Hard
Type : Algorithmic
AICPA : BB Resource Management
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

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

66) _____

A) An outflow or decrease of $1,000
B) An inflow or increase of $2,000
C) An inflow or increase of $1,000
D) Zero

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Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Difficulty : 3 Hard
AICPA : BB Resource Management
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

67) The financial statements of Calloway Company prepared at the end of the current year contained the following elements and corresponding amounts: Assets = $25,000; Liabilities = ?; Common Stock = $5,500; Revenue = $12,000; Dividends = $1,000; Beginning Retained Earnings = $4,000; Ending Retained Earnings = $7,500.

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

67) _____

A) $15,000
B) $7,500
C) $8,500
D) $3,500

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Bloom's : Apply
Difficulty : 3 Hard
Type : Algorithmic

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

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

68) _____

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

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Bloom's : Apply
Difficulty : 3 Hard

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

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

69) _____

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

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

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

70) _____

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

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

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

71) _____

A) Investing activities.
B) Operating activities.
C) Financing activities.
D) Dividends are not reported on the statement of cash flows.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

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

72) _____

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

Question Details
AICPA : BB Critical Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement

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

73) _____

A) The net cash inflow from operating activities was $1,600.
B) The net cash outflow for investing activities was $750.
C) The net cash inflow from operating activities was $850.
D) The net cash outflow for investing activities was $1,600.

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Question Details
AICPA : BB Critical Thinking
Bloom's : Understand
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Type : Algorithmic
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

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

74) _____

A) The net cash inflow from operating activities was $100.
B) The net cash outflow for investing activities was $200.
C) The net cash inflow from operating activities was $300.
D) The net cash outflow for investing activities was $100.

Question Details
AICPA : BB Critical Thinking
Bloom's : Understand
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

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

75) _____

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A) Total assets increased and total stockholders' equity decreased.
B) Total assets were unchanged.
C) Liabilities decreased and net income increased.
D) Total assets increased and net income increased.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
AACSB : Analytical Thinking
Bloom's : Analyze

76) During Year 2, Chico Company earned $3,650 of cash revenue, paid $1,500 of cash expenses, and paid a $1,000 cash dividend to its owners. Based on this information alone, which of the following statements is **not** true?

76) _____

A) Net income amounted to $2,150
B) Total assets increased by $1,150
C) Cash inflow from operating activities was $2,150
D) Cash outflow from financing activities was $1,150

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Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Difficulty : 3 Hard
Type : Algorithmic
AACSB : Analytical Thinking
Bloom's : Analyze
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-08 Prepare and interpret a statement of changes in stockholders' equity.

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

77) _____

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

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Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Difficulty : 3 Hard
AACSB : Analytical Thinking
Bloom's : Analyze
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-08 Prepare and interpret a statement of changes in stockholders' equity.

78) Glavine Company repaid a bank loan with cash. The cash flow from this event should be reported as:

78) _____

A) an outflow for investing activities on the Statement of Cash Flows.
B) an outflow for financing activities on the Statement of Cash Flows.
C) an inflow for investing activities on the Statement of Cash Flows.
D) an inflow for operating activities on the Statement of Cash Flows.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Analyze
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

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79) Retained earnings at the beginning and ending of the accounting period were $400 and $900, respectively. Revenues of $1,500 and dividends paid to stockholders of $300 were reported during the period. What was the amount of expenses reported for the period?

79) _____

A) $700.
B) $1,000.
C) $500.
D) $1,200.

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Difficulty : 3 Hard
Type : Algorithmic
Learning Objective : 01-08 Prepare and interpret a statement of changes in stockholders' equity.
Topic : Statement of Changes in Stockholders' Equity

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

80) _____

A) $500
B) $400
C) $900
D) $700

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Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-08 Prepare and interpret a statement of changes in stockholders' equity.
Topic : Statement of Changes in Stockholders′ Equity

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

1.1) issued stock for $42,000
2.2) borrowed $27,000 from its bank
3.3) provided consulting services for $40,000
4.4) paid back $16,000 of the bank loan
5.5) paid rent expense for $9,500
6.6) purchased equipment costing $13,000
7.7) paid $3,100 dividends to stockholders
8.8) paid employees' salaries for work completed during the year, $22,000

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

81) _____

A) Inflow of $8,500
B) Inflow of $5,400
C) Inflow of $18,000
D) Inflow of $35,500

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Type : Algorithmic
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

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

1.1) issued stock for $40,000
2.2) borrowed $25,000 from its bank
3.3) provided consulting services for $39,000
4.4) paid back $15,000 of the bank loan
5.5) paid rent expense for $9,000
6.6) purchased equipment costing $12,000
7.7) paid $3,000 dividends to stockholders
8.8) paid employees' salaries for work completed during the year, $21,000

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

82) _____

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

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

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

1.1) issued stock for $58,000
2.2) borrowed $43,000 from its bank
3.3) provided consulting services for $56,000
4.4) paid back $24,000 of the bank loan
5.5) paid rent expense for $13,500
6.6) purchased equipment costing $21,000
7.7) paid $3,900 dividends to stockholders
8.8) paid employees' salaries for work completed during the year, $30,000

What is Yowell's ending notes payable balance?

83) _____

A) $0
B) $19,000
C) $43,000
D) $24,000

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Bloom's : Apply
Type : Algorithmic
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

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

1.1) issued stock for $40,000
2.2) borrowed $25,000 from its bank
3.3) provided consulting services for $39,000
4.4) paid back $15,000 of the bank loan
5.5) paid rent expense for $9,000
6.6) purchased equipment costing $12,000
7.7) paid $3,000 dividends to stockholders
8.8) paid employees' salaries for work completed during the year, $21,000

What is Yowell's ending notes payable balance?

84) _____

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

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Bloom's : Apply
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

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

1.1) issued stock for $64,000
2.2) borrowed $49,000 from its bank
3.3) provided consulting services for $62,000
4.4) paid back $27,000 of the bank loan
5.5) paid rent expense for $15,000
6.6) purchased equipment costing $24,000
7.7) paid $4,200 dividends to stockholders
8.8) paid employees' salaries for work completed during the year, $33,000

What is Yowell's net income?

85) _____

A) $47,000
B) $14,000
C) $10,800
D) $31,200

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Bloom's : Apply
Type : Algorithmic

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

1.1) issued stock for $40,000
2.2) borrowed $25,000 from its bank
3.3) provided consulting services for $39,000
4.4) paid back $15,000 of the bank loan
5.5) paid rent expense for $9,000
6.6) purchased equipment costing $12,000
7.7) paid $3,000 dividends to stockholders
8.8) paid employees' salaries for work completed during the year, $21,000

What is Yowell's net income?

86) _____

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

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Bloom's : Apply

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

1.1) Acquired $1,250 cash from the issue of common stock.
2.2) Borrowed $720 from a bank.
3.3) Earned $950 of revenues.
4.4) Paid expenses of $310.
5.5) Paid a $110 dividend.

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

1.1) Issued an additional $625 of common stock.
2.2) Repaid $430 of its debt to the bank.
3.3) Earned revenues of $1,050.
4.4) Incurred expenses of $480.
5.5) Paid dividends of $160.

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

87) _____

A) $35 inflow
B) $430 outflow
C) $465 outflow
D) $590 inflow

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Difficulty : 3 Hard
Type : Algorithmic
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

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

1.1) Acquired $950 cash from the issue of common stock.
2.2) Borrowed $420 from a bank.
3.3) Earned $650 of revenues.
4.4) Paid expenses of $250.
5.5) Paid a $50 dividend.

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

1.1) Issued an additional $325 of common stock.
2.2) Repaid $220 of its debt to the bank.
3.3) Earned revenues of $750.
4.4) Incurred expenses of $360.
5.5) Paid dividends of $100.

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

88) _____

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

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Difficulty : 3 Hard
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

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

1.1) Acquired $1,500 cash from the issue of common stock.
2.2) Borrowed $970 from a bank.
3.3) Earned $1,200 of revenues.
4.4) Paid expenses of $360.
5.5) Paid a $160 dividend.

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

1.1) Issued an additional $875 of common stock.
2.2) Repaid $605 of its debt to the bank.
3.3) Earned revenues of $1,300.
4.4) Incurred expenses of $580.
5.5) Paid dividends of $210.

The amount of total liabilities on Packard's Year 1 balance sheet is

89) _____

A) $365
B) $670
C) $970
D) $1,330

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
Bloom's : Understand
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Type : Algorithmic
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

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

1.1) Acquired $950 cash from the issue of common stock.
2.2) Borrowed $420 from a bank.
3.3) Earned $650 of revenues.
4.4) Paid expenses of $250.
5.5) Paid a $50 dividend.

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

1.1) Issued an additional $325 of common stock.
2.2) Repaid $220 of its debt to the bank.
3.3) Earned revenues of $750.
4.4) Incurred expenses of $360.
5.5) Paid dividends of $100.

The amount of total liabilities on Packard's Year 1 balance sheet is

90) _____

A) $200
B) $340
C) $420
D) $670

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
Bloom's : Understand
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

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

1.1) Acquired $1,400 cash from the issue of common stock.
2.2) Borrowed $870 from a bank.
3.3) Earned $1,100 of revenues.
4.4) Paid expenses of $340.
5.5) Paid a $140 dividend.

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

1.1) Issued an additional $775 of common stock.
2.2) Repaid $535 of its debt to the bank.
3.3) Earned revenues of $1,200.
4.4) Incurred expenses of $540.
5.5) Paid dividends of $190.

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

91) _____

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

A) $430
B) $2,020
C) $1,260
D) $2,160

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Type : Algorithmic
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

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

1.1) Acquired $950 cash from the issue of common stock.
2.2) Borrowed $420 from a bank.
3.3) Earned $650 of revenues.
4.4) Paid expenses of $250.
5.5) Paid a $50 dividend.

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

1.1) Issued an additional $325 of common stock.
2.2) Repaid $220 of its debt to the bank.
3.3) Earned revenues of $750.
4.4) Incurred expenses of $360.
5.5) Paid dividends of $100.

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

92) _____

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

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

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

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

1.1) Acquired $1,050 cash from the issue of common stock.
2.2) Borrowed $520 from a bank.
3.3) Earned $750 of revenues.
4.4) Paid expenses of $270.
5.5) Paid a $70 dividend.

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

1.1) Issued an additional $425 of common stock.
2.2) Repaid $290 of its debt to the bank.
3.3) Earned revenues of $850.
4.4) Incurred expenses of $400.
5.5) Paid dividends of $120.

The amount of assets on Packard's Year 2 balance sheet is

93) _____

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

A) $520.
B) $485.
C) $2,445.
D) $2,565.

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Difficulty : 3 Hard
Type : Algorithmic
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

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

1.1) Acquired $950 cash from the issue of common stock.
2.2) Borrowed $420 from a bank.
3.3) Earned $650 of revenues.
4.4) Paid expenses of $250.
5.5) Paid a $50 dividend.

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

1.1) Issued an additional $325 of common stock.
2.2) Repaid $220 of its debt to the bank.
3.3) Earned revenues of $750.
4.4) Incurred expenses of $360.
5.5) Paid dividends of $100.

The amount of assets on Packard's Year 2 balance sheet is

94) _____

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

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

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

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

1.1) Acquired $1,150 cash from the issue of common stock.
2.2) Borrowed $620 from a bank.
3.3) Earned $850 of revenues.
4.4) Paid expenses of $290.
5.5) Paid a $90 dividend.

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

1.1) Issued an additional $525 of common stock.
2.2) Repaid $360 of its debt to the bank.
3.3) Earned revenues of $950.
4.4) Incurred expenses of $440.
5.5) Paid dividends of $140.

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

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

95) _____

A) $470
B) $850
C) $1,120
D) $560

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Type : Algorithmic
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

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

1.1) Acquired $950 cash from the issue of common stock.
2.2) Borrowed $420 from a bank.
3.3) Earned $650 of revenues.
4.4) Paid expenses of $250.
5.5) Paid a $50 dividend.

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

1.1) Issued an additional $325 of common stock.
2.2) Repaid $220 of its debt to the bank.
3.3) Earned revenues of $750.
4.4) Incurred expenses of $360.
5.5) Paid dividends of $100.

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

96) _____

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

A) $400
B) $650
C) $350
D) $820

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

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

97) _____

A) Paid cash for dividends.
B) Received cash for common stock.
C) Sold land for cash.
D) Paying cash for dividends and receiving cash from common stock.

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Question Details
AICPA : BB Critical Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

98) Santa Fe Company was started on January 1, Year 1, when it acquired $9,200 cash by issuing common stock. During Year 1, the company earned cash revenues of $5,300, paid cash expenses of $3,350, and paid a cash dividend of $900. Which of the following is true based on this information?

98) _____

A) The December 31, Year 1 balance sheet would show total equity of $8,300.
B) The Year 1 statement of cash flows would show a net cash inflow from financing activities of $8,300.
C) The Year 1 income statement would show net income of $1,050.
D) The Year 1 statement of cash flows would show net cash inflow from operating activities of $5,300.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Type : Algorithmic
AACSB : Analytical Thinking
Bloom's : Analyze
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

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

99) _____

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

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Analyze
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

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

100) _____

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

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Analyze
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.
Learning Objective : 01-08 Prepare and interpret a statement of changes in stockholders' equity.
Topic : Statement of Changes in Stockholders′ Equity

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

101) _____

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

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
AACSB : Analytical Thinking
Bloom's : Analyze
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

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

1.Acquired $4,600 cash from issuing common stock.
2.Borrowed $3,000 from a bank.
3.Earned $3,900 of revenues.
4.Incurred $2,560 in expenses.
5.Paid dividends of $560.

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

1.Acquired an additional $1,300 cash from the issue of common stock.
2.Repaid $1,860 of its debt to the bank.
3.Earned revenues, $5,300.
4.Incurred expenses of $3,070.
5.Paid dividends of $1,600.

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

102) _____

A) $2,160 outflow
B) $2,160 inflow
C) $1,300 inflow
D) $1,300 outflow

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Difficulty : 3 Hard
Type : Algorithmic
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

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

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

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

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

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

103) _____

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

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Bloom's : Apply
Difficulty : 3 Hard
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.

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

1. Acquired $4,500 cash from issuing common stock.
2. Borrowed $2,950 from a bank.
3. Earned $3,850 of revenues.
4. Incurred $2,550 in expenses.
5. Paid dividends of $550.

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

1. Acquired an additional $1,250 cash from the issue of common stock.
2. Repaid $1,825 of its debt to the bank.
3. Earned revenues, $5,250.
4. Incurred expenses of $3,050.
5. Paid dividends of $1,540.

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

104) _____

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

A) $3,950
B) $8,100
C) $1,550
D) $8,200

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Bloom's : Apply
Type : Algorithmic
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

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

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

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

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

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

105) _____

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

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

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Bloom's : Apply
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

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

1. Acquired $4,600 cash from issuing common stock.
2. Borrowed $3,000 from a bank.
3. Earned $3,900 of revenues.
4. Incurred $2,560 in expenses.
5. Paid dividends of $560.

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

1. Acquired an additional $1,300 cash from the issue of common stock.
2. Repaid $1,860 of its debt to the bank.
3. Earned revenues, $5,300.
4. Incurred expenses of $3,070.
5. Paid dividends of $1,600.

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

106) _____

A) $3,340.
B) $3,900.
C) $1,340.
D) $780.

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Bloom's : Apply
Type : Algorithmic
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

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

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

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

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

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

107) _____

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

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Bloom's : Apply
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

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

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

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

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

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

108) _____

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

A) $690.
B) $950.
C) $1,035.
D) ($1,615).

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Bloom's : Apply
Type : Algorithmic
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

109) Lexington Company engaged in the following transactions during Year 1, its first year in operation: (Assume all transactions are cash transactions.)
1.Acquired $6,000 cash from issuing common stock.
2.Borrowed $4,400 from a bank.
3.Earned $6,200 of revenues.
4.Incurred $4,800 in expenses.
5.Paid dividends of $800.

Lexington Company engaged in the following transactions during Year 2: (Assume all transactions are cash transactions.)
1.Acquired an additional $1,000 cash from the issue of common stock.
2.Repaid $2,600 of its debt to the bank.
3.Earned revenues, $9,000.
4.Incurred expenses of $5,500.
5.Paid dividends of $1,280.

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

109) _____

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

A) $1,000.
B) $1,800.
C) ($2,600).
D) $480.

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Bloom's : Apply
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

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

110) _____

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

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
Difficulty : 1 Easy
Bloom's : Apply
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

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

111) _____

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

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Bloom's : Remember
Difficulty : 1 Easy

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

112) _____

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

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

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Topic : Preparing a Statement of Cash Flows
Learning Objective : 01-09 Prepare and interpret a statement of cash flows.
Learning Objective : 01-08 Prepare and interpret a statement of changes in stockholders' equity.
Topic : Statement of Changes in Stockholders' Equity

113) Liabilities are reported on which of thefollowing financial statement(s)?

113) _____

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

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-06 Prepare and interpret balance sheets for multiple accounting cycles.
Topic : Preparing a Balance Sheet

114) Frank Company earned $15,000 of cash revenue. Which of the following accurately reflects how this event affects the company's accounting equation?

	Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
A.	15,000	=	NA	+	15,000	+	NA
B.	15,000	=	NA	+	7,500	+	7,500
C.	15,000	=	NA	+	NA	+	15,000
D.	15,000	=	15,000	+	NA	+	NA

114) _____

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

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
AACSB : Analytical Thinking
Bloom's : Analyze

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115) Jackson Company paid $500 cash for salary expenses. Which of the following accurately reflects how this event affects the company's accounting equation?

	Assets	=	Liabilities	+	Stockholders' Equity
A.	500	=	500	+	NA
B.	(500)	=	NA	+	(500)
C.	(500)	=	(500)	+	NA
D.	(500)	=	NA	+	500

115) _____

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

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
AACSB : Analytical Thinking
Bloom's : Analyze

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

	Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
A.	300	=	300	+	NA	+	NA
B.	(300)	=	NA	+	(300)	+	NA
C.	(300)	=	NA	+	NA	+	(300)
D.	300	=	NA	+	NA	+	300

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116) _____

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

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
AACSB : Analytical Thinking
Bloom's : Analyze

117) Garrison Company acquired $23,000 by issuing common stock. Which of the following accurately reflects how this event affects the company's accounting equation?

	Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
A.	23,000	=	NA	+	23,000	+	NA
B.	NA	=	23,000	+	(23,000)	+	NA
C.	NA	=	NA	+	23,000	+	(23,000)
D.	23,000	=	NA	+	NA	+	23,000

117) _____

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

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Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
AACSB : Analytical Thinking
Bloom's : Analyze

118) Which of the following could represent the effects of an asset source transaction on the accounting equation?

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

118) _____

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

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Analyze
Topic : Types of Transactions
Learning Objective : 01-04 Classify business events as asset source, asset use, asset exchange, or cl

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

Assets	=	Liabilities	+	Stockholders' Equity
+	=	NA	+	+

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

119) _____

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

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
AACSB : Analytical Thinking
Bloom's : Analyze

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120) Chico Company experienced an accounting event that affected its accounting equation as indicated below:

Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
+	=	NA	+	+	+	NA

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

120) _____

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

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
AACSB : Analytical Thinking
Bloom's : Analyze

121) Delta Company experienced an accounting event that affected its accounting equation as indicated below:

Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
−	=	NA	+	NA	+	−

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

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121) _____

A) Purchased land for cash.
B) Incurred a cash expense.
C) Borrowed money from a bank.
D) Earned cash revenue.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Topic : Recording Business Events Under the Accounting Equation
Learning Objective : 01-05 Show how business events affect the accounting equation.
AACSB : Analytical Thinking
Bloom's : Analyze

122) Which of the following would **not** describe the effects of an asset source transaction on the accounting equation?

	Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
A.	+	=	+	+	NA	+	NA
B.	+	=	NA	+	NA	+	+
C.	+	=	NA	+	+	+	NA
D.	+ −	=	NA	+	NA	+	NA

122) _____

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

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Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Analyze
Topic : Types of Transactions
Learning Objective : 01-04 Classify business events as asset source, asset use, asset exchange, or cl

123) The statement of changes in stockholders' equity presents

123) _____

A) an explanation of the changes in the beginning and ending balances of stockholders' equity.
B) a comparison of the benefits and the sacrifices a company experiences from its operations.
C) information in three categories including operating, investing, and financing activities.
D) a list of a company's assets and the sources of those assets.

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Analyze
Learning Objective : 01-10 Identify the ways financial statements interrelate.
Topic : Financial Statement Articulation

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124) Which of the financial statements are required by the Generally Accepted Accounting Principles (GAAP)?

124) _____

A) Income Statement
B) Statement of Changes in Stockholders' Equity
C) Statement of Cash Flows
D) Balance Sheet
E) All of these financial statements are required by GAAP

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Difficulty : 1 Easy
AACSB : Analytical Thinking
Bloom's : Analyze
Learning Objective : 01-10 Identify the ways financial statements interrelate.
Topic : Financial Statement Articulation

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

125) _____

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

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-10 Identify the ways financial statements interrelate.
Topic : Financial Statement Articulation
AICPA : FN Decision Making

126) Which of the following are shown on the balance sheet?
a.Total assets
b.Land
c.Common Stock
d.Net Change in Cash
e.Revenue
f.Notes Payable
g.Retained Earnings
h.Total Liabilities and Stockholders' Equity
i.Expenses
j.Net Income
k.Beginning cash balance
l.Dividends

126) _____

A) a, b, c, f, g, h
B) e, i, j
C) a, b, c, f, g, h, k, l
D) a, g, h, i

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-10 Identify the ways financial statements interrelate.
Topic : Financial Statement Articulation
AICPA : FN Decision Making

127) Which of the following are shown on the income statement?
a.Total assets
b.Land
c.Common Stock
d.Net Change in Cash
e.Revenue
f.Notes Payable
g.Stockholders' Equity
h.Total Liabilities and Stockholders' Equity
i.Expenses
j.Net Income
k.Ending cash balance
l.Beginning cash balance
m.Dividends

127) _____

A) a, b, c, f, g, h
B) e, i, j
C) d, e, i, j, m
D) e, i, j, m

Introductory Financial Accounting for Business 2nd edition Edmonds Test Bank

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-10 Identify the ways financial statements interrelate.
Topic : Financial Statement Articulation
AICPA : FN Decision Making

128) A net loss occurs when

128) _____

A) expenses are greater than revenues
B) liabilities are greater than assets
C) cash inflow is less than cash outflow
D) the ending cash balance is lower than the beginning cash balance

Question Details
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic
AICPA : FN Measurement
Learning Objective : 01-07 Prepare and interpret information shown in an income statement.
Topic : Preparing an Income Statement
Difficulty : 1 Easy
AACSB : Analytical Thinking
Bloom's : Analyze

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Introductory Financial Accounting for Business 2nd Edition by Edmonds CH01B
Answer Key

Test name: CH01B

1) TRUE
This is true. Resource providers include creditors and investors.
2) TRUE
This is true. Businesses transform resources into goods and services, such as cars, that are desirable to consumers.
3) FALSE
This is false. A business creates value by earning income, so earnings or income describe that value, not assets.
4) TRUE
This is true. The types of resources needed by a business are financial, physical, and labor resources.
5) TRUE
This is true. Financial accounting information is usually less detailed than managerial accounting information.
6) TRUE
This is true. The Financial Accounting Standards Board is charged with establishing accounting standards for US businesses. It is not an agency of the US government, but rather a privately funded organization.
7) TRUE
This is true. A business must report its income, assets, liabilities and equity separate from the owner of that business.
8) FALSE

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This is false. Land is an account within the element assets. The elements of the financial statements include assets, liabilities, stockholders' equity. Stockholders' equity can be further broken down into two additional elements: common stock, and retained earnings.

9) TRUE

This is true. Liabilities represent the future obligations of a business entity.

10) FALSE

This is false. There are three sources of assets. First, a business can borrow assets from creditors. The second source of assets is investors. The third source of assets is operations.

11) FALSE

This is false. If a business retains the assets, it commits to use those assets for the benefit of the stockholders. This increase in the business's commitments to its stockholders is normally called retained earnings.

12) TRUE

This is true. Once an asset is recorded, it is not adjusted for increases in market value.

13) TRUE

This is true. An asset source transaction increases a business's assets and either liabilities or equity, which make up claims to assets.

14) TRUE

This is true. Borrowing money from the bank is an example of an asset source transaction because the asset cash increases as well as the liability notes payable.

15) FALSE

This is false. Because asset use transactions result in a decrease in total assets, total claims must decrease as well.

16) FALSE

This is false. All four financial statements are interconnected.

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17) FALSE
This is false. Dividends are not expenses. Therefore, they are not reported on the income statement. Dividends are reported on the statement of changes in stockholders' equity and the statement of cash flows.
18) D
The Financial Accounting Standards Board is a privately funded group charged with establishing accounting standards for the U.S. It is not a branch of the U.S. government.
19) A
Businesses serve as conversion agents in the marketplace, transforming basic resources provided by resource owners into goods and services that consumers demand. Regulatory agencies set policies that affect the way that businesses operate.
20) B
Businesses borrow money from creditors, and repay the amount borrowed, plus an additional fee known as interest. Investors, in contrast, provide financial resources in exchange for ownership interest in the business. Consumers demand goods and services from businesses.
21) D
Financial accounting is intended to satisfy the needs of external users of accounting information. Managerial accounting, including cost accounting, is intended for the needs of internal users, or managers, of a business. Tax accounting is specifically intended for tax regulatory agencies.
22) A

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Managerial accounting provides information primarily for internal users, or managers, of businesses. Managers require more detailed information about a business than do external users, and sometimes that information is nonfinancial in nature. Managerial accounting information focuses on divisional rather than overall profitability and is not typically made available to external users, such as investors.

23) A

Generally Accepted Accounting Principles are established by the Financial Accounting Standards Board.

24) B

The International Accounting Standards Board establishes accounting standards for most countries outside of the U.S.

25) C

The three reporting entities are Jack Henry, Walt Bank, and Wooden Wheels. A separate set of accounting records would be kept for each entity.

26) A

Jack Henry's cash increase of $150,000 is calculated by subtracting the $650,000 in cash he transferred to Wooden Wheels from the $800,000 in cash he borrowed from Walt Bank. Wooden Wheels will report an increase in cash of $650,000 from the transfer of cash from Jack Henry. Finally, Walt Bank will report a decrease in cash of $800,000 due to the loan it provided Jack Henry.

27) D

The four reporting entities are Ellen Gatsby, Ben Gatsby, Sarah Gatsby and Gatsby Company.

28) C

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Cash received from providing services to customers is an example of revenue and is an asset source transaction. Cash received from the result of a bank loan results in a liability, Notes Payable. Cash investments made by owners increase the stockholders' equity account Common Stock. Cash received from the sale of land for its original selling price is an asset exchange transaction that decreases one asset, Land, and increases another asset, Cash.

29) D

Cash is not an element of the financial statements. It is an account that is part of the element assets.

30) B

Assets are resources that a business uses to conduct its operations. Examples include cash, inventory, equipment, building, land, etc. In the process of conducting operations, a business uses some assets in order to produce greater quantities of other assets. For example, Walmart may use (sell) some of its inventory in order to receive cash from a customer. The cash received is revenue. In this case, the remaining inventory is a resource (asset) that will be used (sold) in the future to produce revenue.

31) D

Businesses obtain assets from three sources. Specifically, businesses can borrow assets from creditors, acquire them from investors (owners), or generate them through operations.

32) C

If total assets decrease, then assets were used. Since the accounting equation must balance (i.e. assets must equal claims), the decrease on the asset (left) side of the accounting equation must be offset by a decrease on the claims (right) side of the equation. Since liabilities, common stock, and retained earnings appear on the right side of the equation, a decrease in an asset account must be offset by a decrease in one of these right side accounts.

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33) D

When a business borrows money from a creditor it accepts an obligation (liability) to repay the money to the creditor in the future. Borrowing money causes the business' assets and its liabilities to increase. In the accounting equation, assets must equal claims. Liabilities and stockholders' equity represent the claims on assets.

34) D

When a company has an increase in assets from operations and chooses to reinvest the profits into the business it is referred to as retained earnings. If the business chooses to distribute the increase in assets from operations to the owners of the business it is called a dividend. A liability would represent an obligation to repay debt to an external party. Common stock represents the proportionate share of ownership each stockholder has in the business.

35) A

The accounting equation shows the equality between a company's assets and the sources of those assets. The sources include liabilities, common stock and retained earnings. Therefore, Assets = Liabilities + Common Stock + Retained Earnings.

36) B

When a company redistributes its assets back to the owners of the business it is referred to as a dividend. A liability would represent an obligation to repay debt to an external party. Retained earnings are the profits that have been retained within the company rather than distributed to the owners. Common stock represents the proportionate share of ownership each stockholder has in the company.

37) A

In the accounting equation, assets equal claims (liabilities + stockholders' equity). If assets are $1,000, total claims must also be $1,000. Therefore, liabilities must be $1,000 − $600, or $400.

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38) C

Assets = Liabilities + Stockholders' Equity; Stockholders' Equity includes common stock and retained earnings. $50,000 = $22,000 + $15,000 + Retained earnings; Retained earnings = $13,000

39) B

If assets on December 31, Year 1 totaled $112,000, total claims (including liabilities, common stock, and retained earnings) on that date must have also been $112,000. If liabilities were $29,000 and common stock was $26,000, retained earnings on December 31, Year 1 must have been $57,000. At the end of Year 2, the company reported $74,000 in retained earnings, a $17,000 increase. During Year 2, Stosch paid a $28,000 cash dividend, which reduced retained earnings. Therefore, Year 2 net income must have been $17,000 greater than the dividend paid. $28,000 + $17,000 = $45,000.

40) B

If assets on December 31, Year 1 totaled $40,000, total claims (including liabilities, common stock, and retained earnings) on that date must have also been $40,000. If liabilities were $15,000 and common stock was $12,000, retained earnings on December 31, Year 1 must have been $13,000. At the end of Year 2, the company reported $18,000 in retained earnings, a $5,000 increase. During Year 2, Stosch paid a $14,000 cash dividend, which reduced retained earnings. Therefore, Year 2 net income must have been $5,000 greater than the dividend paid. $14,000 + $5,000 = $19,000.

41) D

Issuing common stock increases both assets (Cash) and stockholders' equity (Common Stock). Stockholders' equity and liabilities collectively make up claims in the accounting equation.

42) A

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In the accounting equation, assets equal claims (liabilities + stockholders' equity). If assets are $500, total claims must also be $500. Therefore,stockholders' equity must be $500 − $200, or $300.

43) A

Assets = Liabilities + Stockholders' Equity

Assets = Liabilities + Common stock + Retained earnings

If a company's total assets increased while liabilities and common stock were unchanged, retained earnings must have increased. In order for retained earnings to increase, the company must have reported net income. In other words, its revenues must have been greater than its expenses.

44) B

Paying cash for land is an asset exchange transaction that increases one asset (Land) and decreases another asset (Cash). The result is no overall change in total assets.

45) D

Retained earnings of $5,000 is equal to 25% of the company's assets, indicating that 25% of Turner's assets are from prior earnings. $8,000, or 40%, of Turner's assets are liabilities, indicating that those assets are the result of borrowed resources. A company can pay out no more in dividends than it has in its Retained Earnings account.

46) D

If assets total $100,000, claims must also total $100,000. Claims include liabilities, common stock and retained earnings. Because liabilities and retained earnings equal $65,000, common stock must be $35,000. The common stock account represents the assets that were obtained through investors. $35,000 is 35% of $100,000.

47) A

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On January 1, Year 2:
Assets = Liabilities + Common Stock + Retained Earnings
$12,500 = $4,500 + $3,000 + Retained Earnings
Retained Earnings = $5,000

During Year 2:
Beginning retained earnings + Net income − Dividends = Ending retained earnings
$5,000 + Net Income − $2,000 = $6,000
Net Income = $3,000

48) B
Providing services for cash increases a company's assets (Cash) and stockholders' equity (Retained Earnings).

49) B
Cash, an asset, increased by $1,500 (calculated as receipts of $6,500 − payment of $1,000 − payment of $4,000). Stockholders' equity also increased by $1,500 (calculated as revenue of $6,500 − dividends of $1,000 − expenses of $4,000).

50) B
Beginning Retained Earnings + Revenue − Expenses − Dividends = Ending Retained Earnings
Beginning Retained Earnings + $2,400 − $1,300 − $700 = $2,150
Beginning Retained Earnings = $1,750

51) A
Beginning Retained Earnings + Revenue − Expenses − Dividends = Ending Retained Earnings
Beginning Retained Earnings + $1,500 − $800 − $500 = $3,500
Beginning Retained Earnings = $3,300

52) D

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Paying cash to purchase land is an asset exchange transaction. The asset account, Cash, decreases and the asset account, Land, increases. Total assets are not affected.

53) A

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

54) D

Borrowing cash increases assets (Cash) and increases liabilities (Notes Payable).

55) A

An asset exchange transaction is one that increases one asset account and decreases another, resulting in no net change in assets. There are no changes to the company's liabilities and stockholders' equity either. Buying land for cash is an example of an asset exchange transaction.

56) B

An asset use transaction is one that decreases a business's assets and decreases either liabilities or stockholders' equity. In this asset use transaction, assets and stockholders' equity decreased. An example of an asset use transaction with this effect would be paying cash for salary expense.

57) C

Purchasing land for cash is an asset exchange transaction that does not affect total assets. Issuing stock to owners is an asset source transaction that increases assets. Borrowing cash from a bank is an asset source transaction that increases assets. Providing services for cash is an asset source transaction that increases assets.

58) C

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Net income is $3,600 (Revenue of $8,000 − Expenses of $4,400). Expenses are economic sacrifices incurred to produce revenue. In this case, the company's sacrifice was a decrease in assets (Cash). Note that dividends are not expenses. Dividends are not paid in order to produce revenue. Instead they are transfers of wealth from the business to its owners. Purchasing land is not an expense because it is not an economic sacrifice incurred to produce revenue.

59) D

A cash dividend decreases the asset account Cash and decreases the stockholders' equity account Retained Earnings.

60) B

Providing services for cash increases assets (Cash) and increases stockholders' equity (Retained Earnings).

61) C

Stockholders' equity is made up of: Common Stock and Retained Earnings. The statement of changes in stockholders' equity shows changes in those two accounts over the period.

62) B

Dividends are reported as a deduction from retained earnings on the Statement of Changes in Stockholders' Equity. The other transactions listed (borrowing cash from the bank, purchasing land for cash and paying off a portion of a note payable) do not affect stockholders' equity.

63) D

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The total stockholder's equity equals Ending Common Stock + Ending Retained Earnings. First, ending common stock is calculated as: beginning common stock + stock Issued or $300,000 + $90,000 = $390,000 ending common stock. Next, ending retained earnings is calculated as: beginning retained earnings + Net income − Dividends or $15,000 + $50,000 − $8,000 = $57,000 ending retained earnings. Finally, ending common stock of $390,000 + ending retained earnings of $57,000 = total stockholders' equity of $447,000. Paying back a portion of a note payable does not affect stockholders' equity and therefore it is not included in the calculation.

64) D

Purchasing land (a long-lived asset) for cash is an investing activity. Issuing common stock and paying dividends are both financing activities. Cash inflow from interest revenue is an operating activity.

65) C

Beginning cash balance + Increase from operating activities − Decrease from financing activities +/− Increase or decrease from investing activities = Ending cash balance

$4,800 + $9,800 − $3,700 +/− Increase or decrease from investing activities = $14,600

$3,700 = Increase in investing activities

66) A

Beginning cash balance + Increase from operating activities − Decrease from financing activities +/− Increase or decrease from investing activities = Ending cash balance

$4,000 + $10,000 − $2,000 +/− Increase or decrease from investing activities = $11,000

$1,000 = Decrease from investing activities

67) B

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Beginning retained earnings + Revenue − Expenses − Dividends = Ending retained earnings
$4,000 + $12,000 − Expenses − $1,000 = $7,500
Expenses = $7,500

68) C

Beginning retained earnings + Revenue − Expenses − Dividends = Ending retained earnings
$3,500 + $22,000 − Expenses − $1,500 = $7,500
Expenses = $16,500

69) A

Assets = Liabilities + Common Stock + Ending Retained Earnings
$50,000 = Liabilities + $15,000 + $7,500
Liabilities = $27,500

70) B

The balance sheet provides information about a company as of a specific point in time, the other three statements provide information about a period of time such as a month, a quarter, or a year.

71) C

Paying cash dividends, and any cash exchanged between a company and its stockholders, is a financing activity.

72) C

The income statement matches asset increases from operations (revenues) with asset decreases from operations (expenses).

73) A

Cash revenue and cash expenses are operating activities. Paying dividends is a financing activity. $3,700 revenue − $2,100 expense = $1,600 cash inflow from operating activities.

74) C

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Cash revenue and cash expenses are operating activities. Paying dividends is a financing activity. $1,500 revenue − $1,200 expense = $300 cash inflow from operating activities.

75) D

Providing services to a customer for cash increases assets and stockholders' equity on the balance sheet. It also increases revenue, and therefore, net income on the income statement.

76) D

Revenue minus expenses equal net income of $2,150 (calculated as $3,650 − $1,500). Total assets increased by $1,150 (calculated as $3,650 − $1,500 − $1,000). Cash from operating activities increased by $2,150 (calculated as $3,650 − $1,500).

77) D

Revenue minus expenses equal net income of $350 (calculated as $1,950 − $1,600). Total assets increased by $200 (calculated as $1,950 − $1,600 − $150). Cash from operating activities increased by $350 (calculated as $1,950 − $1,600).

78) B

Repaying a bank loan is a cash outflow for financing activities that decreases assets (Cash) and decreases liabilities (Notes Payable).

79) A

Beginning retained earnings + Revenues − Expenses − Dividends = Ending retained earnings

$400 + $1,500 − Expenses −$300 = $900

Expenses = $700

80) B

Beginning retained earnings + Revenues − Expenses − Dividends = Ending retained earnings

$300 + $1,100 − Expenses − $200 = $800

Expenses = $400

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81) A
$40,000 inflow from consulting services − $9,500 outflow for rent expense − $22,000 outflow for salaries expense = $8,500 inflow
82) B
$39,000 inflow from consulting services − $9,000 outflow for rent expense − $21,000 outflow for salaries expense = $9,000 inflow
83) B
Beginning notes payable balance $0 + $43,000 loan − $24,000 repayment = $19,000 ending balance
84) D
Beginning notes payable balance $0 + $25,000 loan − $15,000 repayment = $10,000 ending balance
85) B
$62,000 revenue − $15,000 rent expense − $33,000 salaries expense = $14,000 net income
86) A
$39,000 revenue − $9,000 rent expense − $21,000 salaries expense = $9,000 net income
87) A
Net cash flow from financing activities = $625 inflow from stock − $430 outflow for loan repayment − $160 outflow for dividends = $35.
88) C
Net cash flow from financing activities = $325 inflow from stock − $220 outflow for loan repayment − $100 outflow for dividends = $5
89) C
$0 beginning balance + $970 borrowed from the bank = $970 total liabilities
90) C
$0 beginning balance + $420 borrowed from the bank = $420 total liabilities

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91) B
Stockholders' equity = Common stock + Retained earnings

At end of Year 1:

Stockholders' equity = $1,400 common stock issued + ($0 beginning balance + $1,100 revenue − $340 expenses − $140 dividend) = $2,020

92) D
Stockholders' equity = Common stock + Retained earnings
At end of Year 1:
Stockholders' equity = $950 common stock issued + ($0 beginning balance + $650 revenue − $250 expenses − $50 dividend) = $1,300

93) C
Total assets at end of Year 1 = $1,050+ $520 + $750 − $270 − $70 = $1,980
Total assets at end of Year 1 becomes the beginning balance of total assets for Year 2.
$1,980 beginning balance + $425 − $290 + $850 − $400 − $120 = $2,445

94) A
Total assets at end of Year 1 = $950 + $420 + $650 − $250 − $50 = $1,720
Total assets at end of Year 1 becomes the beginning balance of total assets for Year 2.
$1,720 beginning balance + $325 − $220 + $750 − $360 − $100 = $2,115

95) D
$850 inflow from revenue − $290 outflow for expenses = $560 inflow

96) A
$650 inflow from revenue − $250 outflow for expenses = $400 inflow

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97) D
Paying cash for dividends and receiving cash for common stock are financing activities. Selling land for cash is an investing activity.
98) B
$9,200 cash inflow from issuing stock − $900 cash outflow for dividends = $8,300 net cash inflow from financing activities
99) D
$9,000 cash inflow from issuing stock − $250 cash outflow for dividends = $8,750 net cash inflow from financing activities.
100) D
Paying cash for rent expense decreases assets (Cash) and decreases stockholders' equity (Retained Earnings). Liabilities are not affected. It is reported as a cash outflow for operating activities on the statement of cash flows.
101) D
Paying cash to purchase land is an asset exchange transaction that decreases one asset (Cash) and increases another asset (Land); therefore, there is no overall effect on total assets, total liabilities, or total stockholders' equity. It is reported as a cash outflow from investing activities on the statement of cash flows.
102) A
$1,300 cash inflow from issuing stock − $1,860 cash outflow for loan repayment − $1,600 cash outflow for dividends = $2,160 cash outflow for financing activities
103) A
$1,000 cash inflow from issuing stock − $2,600 cash outflow for loan repayment − $1,280 cash outflow for dividends = $2,880 cash outflow for financing activities
104) D

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$0 beginning balance + $4,500 (cash) + $2,950 (cash) + $3,850 (cash) − $2,550 (cash) − $550 (cash) = $8,200

105) A

$0 beginning balance + $6,000 (cash) + $4,400 (cash) + $6,200 (cash) − $4,800 (cash) − $800 (cash) = $11,000

106) D

$0 beginning balance + $3,900 revenue − $2,560 expense − $560 dividends = $780

107) D

$0 beginning balance + $6,200 revenue − $4,800 expense − $800 dividends = $600

108) C

$2,650 beginning balance − $1,615 loan repayment = $1,035

109) B

$4,400 beginning balance − $2,600 loan repayment = $1,800

110) A

$500 beginning balance + $1,200 revenue − $800 expenses = $900

111) A

Expenses and revenues are reported on the income statement. Net income is reported on the statement of stockholders' equity, but expenses are not.

112) D

Dividends are not included on the income statement. They are, however, reported as a deduction from retained earnings on the statement of changes in stockholders' equity and as a cash outflow from financing activities on the statement of cash flows.

113) B

Liabilities are an element on the balance sheet. As such, liabilities do not appear on the income statement, statement of cash flows, or the statement of changes in stockholders' equity.

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114) C
Earning cash revenue increases assets (Cash) and stockholders' equity (Retained Earnings).
115) B
Paying cash for expenses decreases assets (Cash) and decreases stockholders' equity (Retained Earnings).
116) C
Paying cash dividends decreases assets (Cash) and decreases stockholders' equity (Retained Earnings).
117) A
Issuing common stock increases assets (Cash) and stockholders' equity (Common Stock).

118) A
An asset source transaction increases assets and can either increase liabilities (in the case of borrowing cash) or stockholders' equity (in the case of issuing stock or earning revenue).
119) B
Earning cash revenue must have been the event that affected the financial statements as indicated because earning cash revenue increases assets (Cash) and increases stockholders' equity (Retained Earnings).
120) A
Issuing common stock would increase assets (Cash) and increase stockholders' equity (Common Stock).
121) B
Incurring a cash expense would decrease assets (Cash) and decrease stockholders' equity (Retained Earnings).
122) D

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An asset source transaction is any transaction that results in a net increase in assets. It could be accompanied by an increase in liabilities (as in the case of borrowing cash), an increase in common stock (as in the case of issuing common stock), or an increase in retained earnings (as in the case of earning revenue).

123) A

The income statement compares the benefits and sacrifices the company experiences from its operations. The statement of cash flows shows the cash inflows and outflows in categories such as operating, investing, and financing activities. The balance sheet shows the company's assets and the sources of those assets.

124) E

GAAP requires all four financial statements.

125) D

Net income is shown on the Income Statement. It is also shown as an addition to Retained Earnings on the Statement of Changes in Stockholders' Equity.

126) A

The balance sheet lists a company's assets, liabilities and stockholders' equity. From the information given, total assets, land, common stock, notes payable, retained earnings, and total liabilities and stockholders' equity would be listed on the balance sheet.

127) B

The Income Statement lists a company's Revenue, Expenses and Net Income for the period.

128) A

When expenses are greater than revenues there is a net loss. When revenues are greater than expenses there is net income.

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