Introductory Financial Accounting for Business 2024 Release 1st edition Edmonds Test Bank

SKU: 9781265212025-TEST-BANK

Corret Answers are located at the end of each chapter.

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

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

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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 = I
Decrease = D
Not Affected = NA
Bell Company provided consulting services for $20,000 cash.

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

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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 = I
Decrease = D
Not Affected = NA
Perez Company paid $220,000 cash for salaries expense.

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 = I
Decrease = D
Not Affected = NA
Jones Company paid $20,000 in cash dividends to its owners.

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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 = I
Decrease = D
Not Affected = NA
North Company issued a note to purchase a building.

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

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

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

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

12) Briefly distinguish between financial accounting and managerial accounting.

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

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

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

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

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?

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

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

20) Give three examples of asset use transactions.

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

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?

23) Which financial statement reports revenue and expenses?

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

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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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.
1. c) Labor resources include both the physical and intellectual labor of a business's employees.
2. d) Businesses purchase their resources from resource owners.
3. e) Consumers are the main providers of resources in any market.

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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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.

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.

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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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.

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.

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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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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? _____

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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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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
2.				
3.				
4.				
5.				
6.				
Total				

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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.)

152	Assets		=	Liabilities	+	Stockholders' Equity		Account Titles for Retained Earnings
	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		+	=			+	+	
Total		+	=			+	+	

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

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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.				
6.				

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

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

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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.

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

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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

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.

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

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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		=	+		Accounts Titles for Retained Earnings
	+	=	+	+	
1					
2					
3					
4					
5					
6					
Total					

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

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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.

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	
Revenue	$ a
Expense	6,200
Net income	$ b

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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

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

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

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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

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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.

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?

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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.

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.

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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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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

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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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

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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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Answer Key

Test name: Chapter 01-01

1) Short Answer
2) Short Answer
3) Short Answer
4) Short Answer
5) Short Answer
6) Short Answer
7) Short Answer
8) Short Answer
9) Short Answer
10) Short Answer
11) Short Answer
12) Short Answer
13) Short Answer
14) Short Answer
15) Short Answer
16) Short Answer
17) Short Answer
18) Short Answer
19) Short Answer
20) Short Answer
21) Short Answer
22) Short Answer
23) Short Answer
24) Short Answer
25) Short Answer
26) Essay
27) Essay
28) Essay
29) Essay
30) Essay
31) Essay
32) Essay
33) Essay
34) Essay
35) Essay
36) Essay
37) Essay

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38) Essay
39) Essay
40) Essay
41) Essay
42) Essay
43) Essay
44) Essay
45) Essay
46) Essay
47) Essay
48) Essay
49) Essay
50) Essay
51) Essay
52) Essay
53) Essay
54) Essay
55) Essay
56) Essay

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Corret Answers are located at the end of each chapter.

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

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

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

3) The value created by a business is created by its assets.
   - ◎ true
   - ◎ false

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

5) Financial accounting information is usually less detailed than managerial accounting information.
   - ◎ true
   - ◎ false

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

7) A business and the person who owns the business are separate reporting entities.
   - ◎ true
   - ◎ false

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8) Land is an element of the financial statements.
- ◎ true
- ◎ false

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

10) Liabilities are not a source of assets for a business.
- ◎ true
- ◎ false

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

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

13) An asset source transaction increases a business’s assets and the claims to assets.
- ◎ true
- ◎ false

14) Borrowing money from the bank is an example of an asset source transaction.
- ◎ true
- ◎ false

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

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

17) The dividends a business pays to its owners appear on the income statement.
- ◎ true
- ◎ false

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

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

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

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

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

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

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

24) International accounting standards are formulated by the IASB. What does that acronym stand for?
A) Internationally Accepted Standards Board
B) International Accounting Standards Board
C) International Accountability Standards Bureau
D) International Accounting and Sustainability Board

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

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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?

	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

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

27) Ellen Gatsby and her siblings, Ben and Sarah, started Gatsby Company when they each invested $100,000 in the company. After the investments there will be
A) One reporting entity.
B) Two reporting entities.
C) Three reporting entities.
D) Four reporting entities.

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

29) Which of the following is **not** an element of the financial statements?
A) Stockholders' Equity
B) Liabilities
C) Assets
D) Cash

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

31) Which of the following is a source of assets?
A) Creditors
B) Investors
C) Operations
D) All the answers represent sources of assets.

32) If total assets decrease, then
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.

33) Liabilities
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.

34) Which term describes assets earned from operations that have been reinvested into the business?
A) Liability
B) Dividend
C) Common stock
D) Retained earnings

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

36) Which term describes a distribution of the Company's assets back to the owners of the business?
   A) Liability
   B) Dividend
   C) Retained earnings
   D) Common stock

37) Finn Company reported assets of $1,000 and stockholders' equity of $600. What amount will Finn report for liabilities?
   A) $400
   B) $600
   C) $1,600
   D) Cannot be determined

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

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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?

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

40) Stosch Company's balance sheet reported assets of $40,000, liabilities of $15,000 and common stock of $12,000 as of December 31, Year 1. 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?

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

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

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

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

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

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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?

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.

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

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

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?

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.

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?

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

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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?

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

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

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

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?

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.

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?

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

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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?

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

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

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

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

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

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

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

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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.	Increase and decrease	=		+	
B.	Increase	=		+	Increase
C.	Decrease	=		+	Decrease
D.	Increase and decrease	=		+	Increase and decrease

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

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

	Assets	=	Liabilities	+	Stockholders' Equity
A.	Increase	=	Increase	+	
B.	Decrease	=		+	Decrease
C.	Increase and decrease	=		+	
D.		=	Increase	+	

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

57) Which of the following cash transactions would **not** affect total assets?
A) Borrowing cash from a bank.
B) Issuing common stock for cash.
C) Purchasing land for cash.
D) Providing services for cash.

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

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

Based on this information the amount of net income is

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

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

	Accounting Equation				
	Assets	**=**	**Liabilities**	**+**	**Stockholders' Equity**
A.	Decrease	=	Increase	+	
B.	Increase and decrease	=		+	
C.	Decrease	=		+	Increase
D.	Decrease	=		+	Decrease

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

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

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Accounting Equation						
	Assets	**=**	**Liabilities**	**+**	**Stockholders' Equity**	
A.	Increase	=		+		
B.	Increase	=		+		Increase
C.	Decrease	=		+		Increase
D.	Decrease	=		+		Decrease

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

61) The statement of changes in stockholders' equity shows changes in which of the following accounts?
A) Retained Earnings and Assets
B) Assets and Liabilities
C) Common Stock and Retained Earnings
D) Liabilities and Common Stock

62) Which of the following transactions would be reported on the statement of changes in stockholders' equity?
A) Borrowed $5,000 cash from the bank.
B) Paid a $100 cash dividend to the owners.
C) Purchased land for $2,000 cash.
D) Paid $1,500 cash to pay off a portion of its note payable.

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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?

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

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

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

65) Jackson Company had a net increase in cash from operating activities of $8,100 and a net decrease in cash from financing activities of $1,150. If the beginning and ending cash balances for the company were $3,100 and $11,200, what was the net cash change from investing activities?

A) An outflow or decrease of $1,150.
B) An inflow or increase of $1,950.
C) An inflow or increase of $1,150.
D) Zero.

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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?

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

67) The financial statements of Calloway Company prepared at the end of the current year contained the following elements and corresponding amounts: Assets = $23,000; Liabilities = ?; Common Stock = $5,300; Revenue = $11,600; Dividends = $900; Beginning Retained Earnings = $3,900; Ending Retained Earnings = $7,300.
Based on this information, what was the amount of expenses reported on Calloway's income statement for the current year?

A) $14,600
B) $3,400
C) $7,300
D) $8,200

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?

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

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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?

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

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

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

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

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

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

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

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73) Chow Company earned $3,100 of cash revenue, paid $1,800 for cash expenses, and paid a $600 cash dividend to its owners. Which of the following statements is **true**?

A) The net cash inflow from operating activities was $1,300.
B) The net cash outflow for investing activities was $600.
C) The net cash inflow from operating activities was $700.
D) The net cash outflow for investing activities was $1,300.

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**?

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.

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

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.

76) During Year 2, Chico Company earned $2,750 of cash revenue, paid $1,200 of cash expenses, and paid a $700 cash dividend to its owners. Based on this information alone, which of the following statements is **not** true?

A) Net income amounted to $1,550
B) Total assets increased by $850
C) Cash inflow from operating activities was $1,550
D) Cash outflow from financing activities was $850

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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?

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.

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

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.

79) Retained earnings at the beginning and ending of the accounting period were $1,000 and $2,100, respectively. Revenues of $3,900 and dividends paid to stockholders of $900 were reported during the period. What was the amount of expenses reported for the period?

A) $1,900.
B) $3,000.
C) $2,800.
D) $1,100.

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?

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

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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 $46,000
2. 2) borrowed $31,000 from its bank
3. 3) provided consulting services for $44,000
4. 4) paid back $18,000 of the bank loan
5. 5) paid rent expense for $10,500
6. 6) purchased equipment costing $15,000
7. 7) paid $3,300 dividends to stockholders
8. 8) paid employees' salaries for work completed during the year, $24,000

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

A) Inflow of $20,000
B) Inflow of $40,500
C) Inflow of $9,500
D) Inflow of $6,200

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?

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

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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 $54,000
2. 2) borrowed $39,000 from its bank
3. 3) provided consulting services for $52,000
4. 4) paid back $22,000 of the bank loan
5. 5) paid rent expense for $12,500
6. 6) purchased equipment costing $19,000
7. 7) paid $3,700 dividends to stockholders
8. 8) paid employees' salaries for work completed during the year, $28,000

What is Yowell's ending notes payable balance?

A) $22,000
B) $17,000
C) $0
D) $39,000

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?

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

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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 $74,000
2. 2) borrowed $59,000 from its bank
3. 3) provided consulting services for $72,000
4. 4) paid back $32,000 of the bank loan
5. 5) paid rent expense for $17,500
6. 6) purchased equipment costing $29,000
7. 7) paid $4,700 dividends to stockholders
8. 8) paid employees' salaries for work completed during the year, $38,000

What is Yowell's net income?

A) $54,500
B) $36,700
C) $16,500
D) $12,800

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?

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

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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 $1,150 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 Packard Company's net cash flow from financing activities for Year 2?

A) $360 outflow
B) $500 inflow
C) $385 outflow
D) $25 inflow

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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?

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

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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 $1,250 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.

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

A) $290
B) $520
C) $720
D) $1,030

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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

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

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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?

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

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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?

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

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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 $1,150 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.

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

A) $575.
B) $600.
C) $2,915.
D) $2,775.

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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

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

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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 $1,300 cash from the issue of common stock.
2. 2) Borrowed $770 from a bank.
3. 3) Earned $1,000 of revenues.
4. 4) Paid expenses of $320.
5. 5) Paid a $120 dividend.

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

1. 1) Issued an additional $675 of common stock.
2. 2) Repaid $465 of its debt to the bank.
3. 3) Earned revenues of $1,100.
4. 4) Incurred expenses of $500.
5. 5) Paid dividends of $170.

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

A) $680
B) $1,345
C) $1,000
D) $560

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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?

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

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

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

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98) Santa Fe Company was started on January 1, Year 1, when it acquired $9,600 cash by issuing common stock. During Year 1, the company earned cash revenues of $5,900, paid cash expenses of $3,550, and paid a cash dividend of $1,100. Which of the following is true based on this information?

A) The Year 1 statement of cash flows would show a net cash inflow from financing activities of $8,500.
B) The December 31, Year 1 balance sheet would show total equity of $8,500.
C) The Year 1 statement of cash flows would show net cash inflow from operating activities of $5,900.
D) The Year 1 income statement would show net income of $1,250.

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?

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.

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

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

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

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.

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

1. Acquired $5,000 cash from issuing common stock.
2. Borrowed $3,200 from a bank.
3. Earned $4,100 of revenues.
4. Incurred $2,600 in expenses.
5. Paid dividends of $600.

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

1. Acquired an additional $1,500 cash from the issue of common stock.
2. Repaid $2,000 of its debt to the bank.
3. Earned revenues, $5,500.
4. Incurred expenses of $3,150.
5. Paid dividends of $1,840.

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

A) $2,340 outflow
B) $2,340 inflow
C) $1,500 inflow
D) $1,500 outflow

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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?

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

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

1. Acquired $3,600 cash from issuing common stock.
2. Borrowed $2,500 from a bank.
3. Earned $3,400 of revenues.
4. Incurred $2,460 in expenses.
5. Paid dividends of $460.

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

1. Acquired an additional $800 cash from the issue of common stock.
2. Repaid $1,510 of its debt to the bank.
3. Earned revenues, $4,800.
4. Incurred expenses of $2,870.
5. Paid dividends of $1,000.

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

A) $6,840
B) $6,580
C) $3,860
D) $1,100

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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?

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

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

1. Acquired $4,400 cash from issuing common stock.
2. Borrowed $2,900 from a bank.
3. Earned $3,800 of revenues.
4. Incurred $2,540 in expenses.
5. Paid dividends of $540.

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

1. Acquired an additional $1,200 cash from the issue of common stock.
2. Repaid $1,790 of its debt to the bank.
3. Earned revenues, $5,200.
4. Incurred expenses of $3,030.
5. Paid dividends of $1,480.

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

A) $3,800.
B) $1,260.
C) $720.
D) $3,260.

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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?

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

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

1. Acquired $4,800 cash from issuing common stock.
2. Borrowed $3,100 from a bank.
3. Earned $4,000 of revenues.
4. Incurred $2,580 in expenses.
5. Paid dividends of $580.

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

1. Acquired an additional $1,400 cash from the issue of common stock.
2. Repaid $1,930 of its debt to the bank.
3. Earned revenues, $5,400.
4. Incurred expenses of $3,110.
5. Paid dividends of $1,720.

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

A) $1,170.
B) ($1,930).
C) $1,140.
D) $1,400.

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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?

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

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?

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

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

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

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

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

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

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

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	=		+ 15,000	+	
B.	15,000	=		+ 7,500	+	7,500
C.	15,000	=		+	+	15,000
D.	15,000	=	15,000	+	+	

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

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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	+	
B.	(500)	=		+	(500)
C.	(500)	=	(500)	+	
D.	(500)	=		+	500

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

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	+ +	
B.	(300)	=		+ (300) +	
C.	(300)	=		+ +	(300)
D.	300	=		+ +	300

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

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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	=		+	23,000	+	
B.		=	23,000	+	(23,000)	+	
C.		=		+	23,000	+	(23,000)
D.	23,000	=		+		+	23,000

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

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

	Assets	=	Liabilities	+	Stockholders' Equity
A.	Increase	=	Increase	+	
B.	Decrease	=		+	Decrease
C.	Increase and decrease	=		+	
D.		=	Increase	+	Decrease

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

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

Assets	=	Liabilities	+	Stockholders' Equity
Increase	=		+	Increase

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

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.

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

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

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

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

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

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

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

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

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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.	Increase	=	Increase	+		+	
B.	Increase	=		+		+	Increase
C.	Increase	=		+	Increase	+	
D.	Increase and decrease	=		+		+	

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

123) The statement of changes in stockholders' equity presents
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.

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

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

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

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

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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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

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

128) A net loss occurs when

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

129) John Hamilton borrowed $536,000 from Stone Creek Bank to open a new restaurant called Sauce-It-Up. John transferred $482,400 of the cash he borrowed to the restaurant on the first day of the year. How many reporting entities exist in this scenario?

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

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130) John Hamilton borrowed $536,000 from Stone Creek Bank to open a new restaurant called Sauce-It-Up. John transferred $482,400 of the cash he borrowed to the Company on the first day of the year. Which of the following appropriately reflects the cash transactions between these reporting entities?

	John Hamilton	Sauce-It-Up	Stone Creek Bank
A.	$ 53,600 increase	$ 482,400 increase	$ 536,000 decrease
B.	$ 536,000 increase	$ 482,400 increase	$ 536,000 decrease
C.	$ 536,000 decrease	$ 536,000 increase	$ 536,000 decrease
D.	$ 482,400 increase	$ 53,600 increase	$ 536,000 decrease

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

131) Juarez Company acquired $1,680 from the issue of common stock. Which of the following shows how this event will affect the company's accounting equation?

	Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
A.	$ 1,680	=	$ 560	+	$ 560	+	$ 560
B.	$ 1,680	=	$ 1,680	+		+	
C.	$ 1,680	=		+	$ 1,680	+	
D.	$ 1,680	=		+	$ 840	+	$ 840

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

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132) Morrison Company experienced a business event that had the following effect on its accounting equation.

Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
(26,100)	=	(26,100)	+		+	

Which of the events would have caused this effect?

A) Incurred cash expense
B) Paid off debt
C) Issued common stock for cash
D) Paid a cash dividend
E) Paid a cash dividend

133) Fen Company paid a $660 cash dividend. Which of the following shows how this event will affect the company's accounting equation?

	Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
A.	(660)	=		+		+	(660)
B.	(660)	=	(660)	+		+	
C.	660	=		+		+	660
D.	(660)	=		+	(660)	+	

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

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134) Ocean Breeze Company paid $900 cash for expenses related to advertising for the period. Which of the following shows how this event will affect the company's accounting equation?

	Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
A.	900	=		+		+	900
B.	(900)	=		+		+	(900)
C.		=	900	+	(900)	+	
D.	(900)	=		+	(900)	+	

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

135) Smokey Enterprises began operations by receiving $132,000 cash from its sole owner, Jessica Jones. During its first year of operations, the business earned $26,400 in cash from operations and paid $19,800 in cash expenses. What is Smokey Enterprises' net income for its first year of operations?

A) $19,800
B) $26,400
C) $138,600
D) $6,600

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136) The land that Martin Company paid $95,000 to purchase in the prior year had an appraised market value of $140,000 at the end of the current reporting period. Which of the following shows how the change in market value will affect the company's accounting equation?

	Assets	=	Liabilities	+	Common Stock	+	Retained Earnings
A.	$ 95,000	=		+		+	$ 95,000
B.	$ 45,000	=		+		+	$ 45,000
C.		=		+		+	
D.	$ 140,000	=		+		+	$ 140,000

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

137) Kilgore Company experienced the following events during its first accounting period.

1. (1) Issued common stock for $6,700 cash.
2. (2) Earned $4,700 of cash revenue.
3. (3) Paid a $5,700 cash to purchase land.
4. (4) Paid cash dividends amounting to $485.
5. (5) Paid $2,370 of cash expenses.

The market value of the land at the end of the accounting period was $6,340. Based on this information the amount of total assets appearing on the year-end balance sheet is:

A) $2,370.
B) $2,925.
C) $8,545.
D) $2,845.

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138) At the end of Year 1, Clayton Company had $8,200 of cash, $10,300 land, $3,100 of liabilities, $5,200 of common stock, and $10,200 of retained earnings. During Year 2, Clayton experienced the following events.

1. Borrowed $3,700 cash.
2. Earned $8,700 of cash revenue.
3. Paid $6,200 of cash expenses.
4. Paid $7,200 cash to purchase land.

Based on this information the amount of total assets, total liabilities, and retained earnings appearing on the Year 2 financial statements is

	Total Assets	Total Liabilities	Retained Earnings
A.	$ 7,200	$ 7,700	$ 12,900
B.	$ 24,700	$ 6,800	$ 12,700
C.	$ 15,400	$ 3,100	$ 12,700
D.	$ 15,400	$ 2,500	$ 7,700

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

139) The following accounting equation represents the financial position of Qualtro Company.

Assets			=	Liabilities	+	Stockholders' Equity		
Cash	+	Land	=	Notes Payable	+	Common Stock	+	Retained Earnings
760	+	4,000	=	1,520	+	2,100	+	1,140

Based on this equation, Qualtro:

A) can pay off its note payable.
B) can pay only $1,140 of its note payable.
C) can pay a $570 cash dividend.
D) can pay a $1,140 cash dividend.

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140) Alexis Company was started in Year 1. At the end of Year 1, the Company had the following accounting equation.

Assets			=	Liabilities	+	Stockholders' Equity		
Cash	+	Land	=	Notes Payable	+	Common Stock	+	Retained Earnings
750	+	2,350	=	1,300	+	1,100	+	700

During Year 2, the company experienced the following accounting events.

- Paid off $650 of its notes payable.
- Earned $850 of cash revenue.
- Paid $550 of cash expenses.
- Paid a $250 cash dividend.

Based on this information alone, what percent of the company's assets at the end of Year 2 was provided by creditors?

A) 26.0%
B) 30.0%
C) 62.0%
D) Some other percentage

141) Alexis Company was started in Year 1. At the end of Year 1, the Company had the following accounting equation.

Assets			=	Liabilities	+	Stockholders' Equity		
Cash	+	Land	=	Notes Payable	+	Common Stock	+	Retained Earnings
760	+	2,360	=	1,320	+	1,080	+	720

During Year 2, the company experienced the following accounting events.

- Paid off $660 of its note payable
- Earned $860 of cash revenue.
- Paid $560 of cash expenses.
- Paid a $260 cash dividend.

Based on this information alone, what percent of the company's assets at the end of Year 2 was provided by earnings?

A) 26.4%
B) 30.4%
C) 62.4%
D) Some other percentage

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142) The following accounting equation represents the financial position of Bentley Company.

Assets			=	Liabilities	+	Stockholders' Equity		
Cash	+	Land	=	Notes Payable	+	Common Stock	+	Retained Earnings
740	+	2,340	=	1,280	+	1,120	+	650

Based on this equation, Bentley:

A) can pay a cash dividend of $710.
B) can pay off its note payable.
C) can pay only $650 of its note payable.
D) None of the answers is correct.

143) Kilgore Company experienced the following events during its first accounting period.

1. (1) Issued common stock for $6,100 cash.
2. (2) Earned $4,100 of cash revenue.
3. (3) Paid $5,100 cash to purchase land.
4. (4) Paid cash dividends amounting to $455.
5. (5) Paid $2,310 of cash expenses.

Based on this information the amount of net income is:

A) $2,310.
B) $4,620.
C) $1,790.
D) $895.

144) Retained earnings at the beginning of the period was $620. During the period, Kilgore Company earned revenue of $1,740 and incurred expenses of $720. Assuming dividends paid to stockholders were $360, the ending balance in retained earnings must have been:

A) $1,080.
B) $1,280.
C) $1,480.
D) $1,840.

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145) Kilgore Company experienced the following events during its first accounting period.

1. (1) Borrowed $14,000 cash from a creditor.
2. (2) Earned $7,000 of cash revenue.
3. (3) Paid $2,800 cash to pay off a portion of its note payable.
4. (4) Paid cash dividends amounting to $500.
5. (5) Paid $3,200 cash for operating cash expenses.

Based on this information, what is the amount of expense shown on the income statement?

A) $3,200
B) $6,000
C) $6,500
D) $3,700

146) Which of the following transactions would be reported on the Statement of Changes in Stockholders' Equity?

A) Purchased land for $3,200 cash.
B) Borrowed $6,200 cash from the bank.
C) Paid a $160 cash dividend to the owners.
D) Paid $2,700 cash to pay off a portion of its note payable.

147) At the beginning of Year 2, Jones Company had a balance in common stock of $220,000 and a balance in retained earnings of $7,000. During Year 2, the following transactions occurred:

- Issued common stock for $58,000
- Earned net income of $34,000
- Paid dividends of $14,000
- Issued a note payable for $22,000

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

A) $285,000
B) $329,000
C) $278,000
D) $305,000

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148) The following information was drawn from Gore, Incorporated's statement of cash flows.

1. (1) $3,900 net cash outflow from investing activities.
2. (2) $4,900 net cash inflow from financing activities.
3. (3) $7,900 net increase in the cash balance.

Based on this information, the amount of cash flow from operating activities appearing on the statement of cash flows must be a(n):

A) $6,900 net cash inflow.
B) $8,900 net cash inflow.
C) $1,000 net cash outflow.
D) $11,800 net cash outflow.

149) Kilgore Company experienced the following events during its first accounting period.

1. (1) Issued common stock for $7,800 cash.
2. (2) Earned $5,800 of cash revenue.
3. (3) Paid a $5,400 cash to purchase land.
4. (4) Paid cash dividends amounting to $680.
5. (5) Paid $2,760 of cash expenses.

Based on this information, the amount of cash flow from investing activities appearing on the statement of cash flows is:

A) $5,400 outflow.
B) $680 outflow.
C) $2,640 inflow.
D) $7,800 inflow.

150) Chester Company earned $17,900 of cash revenue, paid $9,300 for cash expenses, and paid a $290 cash dividend to its owners. Which of the following statements is true?

A) The net cash inflow from operating activities was $8,310.
B) The net cash outflow for investing activities was $8,310.
C) The net cash outflow for investing activities was $8,600.
D) The net cash inflow from operating activities was $8,600.

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Answer Key

Test name: Chapter 01-02

1) TRUE
2) TRUE
3) FALSE
4) TRUE
5) TRUE
6) TRUE
7) TRUE
8) FALSE
9) TRUE
10) FALSE
11) FALSE
12) TRUE
13) TRUE
14) TRUE
15) FALSE
16) FALSE
17) FALSE
18) D
19) A
20) B
21) D
22) A
23) A
24) B
25) C
26) A
27) D
28) C
29) D
30) B
31) D
32) C
33) D
34) D
35) A
36) B
37) A

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38) C
39) B
40) B
41) D
42) A
43) A
44) B
45) D
46) D
47) A
48) B
49) B
50) A
51) A
52) D
53) A
54) D
55) A
56) B
57) C
58) C
59) D
60) B
61) C
62) B
63) D
64) D
65) C
66) A
67) C
68) C
69) A
70) B
71) C
72) C
73) A
74) C
75) D
76) D
77) D

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78) B
79) A
80) B
81) C
82) B
83) B
84) D
85) C
86) A
87) D
88) C
89) C
90) C
91) D
92) D
93) D
94) A
95) A
96) A
97) D
98) A
99) D
100) D
101) D
102) A
103) A
104) B
105) A
106) C
107) D
108) A
109) B
110) A
111) A
112) D
113) B
114) C
115) B
116) C
117) A

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118) A
119) B
120) A
121) B
122) D
123) A
124) E
125) D
126) A
127) B
128) A
129) D
130) A
131) C
132) B
133) A
134) B
135) D
136) C
137) C
138) B
139) C
140) A
141) B
142) D
143) C
144) B
145) A
146) C
147) D
148) A
149) A
150) D

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