College Accounting Chapters 1 27 22nd edition Heintz Test Bank

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Chapter 2—Analyzing Transactions: The Accounting Equation

1. A business entity is an individual, association, or organization with control over economic resources and which engages in economic activities.
   a. True
   b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-03-Business Forms
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

2. Liabilities represent an "inside" interest in a business.
   a. True
   b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-03-Business Forms
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

3. The accounting equation shows the relationship among the three basic accounting elements—assets, expenses, and owner's equity.
   a. True
   b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.2 - LO: 2-2
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

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4. If owner's equity and liabilities increased during the period, then assets must also have increased.
   a. True
   b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.2 - LO: 2-2
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

5. An accounts payable is an unwritten promise to pay a supplier for assets purchased or services rendered.
   a. True
   b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

6. If the revenue of a period exceeds the expenses, the excess represents a net loss.
   a. True
   b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Evaluating
NOTES:	1 min.

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7. Any accounting period of twelve months' duration is usually referred to as a fiscal year.
   a. True
   b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

8. Revenues received during an accounting period increase owner's equity.
   a. True
   b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

9. Since supplies last for several months, they are recorded as assets.
   a. True
   b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

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10. Since insurance lasts for several months, it is recorded as owner's equity.
    a. True
    b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

11. The income statement provides information about events over a period of a month, year, or other period of time.
    a. True
    b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

12. The terms "profit and loss statement" or "operating statement" are sometimes used as synonyms for the balance sheet.
    a. True
    b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

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13. Other terms used for owner's equity include net worth and capital.
    a. True
    b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

14. Any item a business owns that will provide future benefits is called owner's equity.
    a. True
    b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

15. It is not necessary to measure a business transaction in dollars.
    a. True
    b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.5 - LO: 2-3
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

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16. The accounting equation may be expressed as assets − liabilities = owner's equity.
    a. True
    b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.2 - LO: 2-2
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

17. According to the business entity concept, a proprietor may include nonbusiness assets and liabilities in the business entity's accounting records.
    a. True
    b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

18. Recognizing the effects of transactions on assets, liabilities, owner's equity, revenue, and expenses of a business is the processing function.
    a. True
    b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.6 - LO: 2-6
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-06-Recording Transactions
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

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19. Expenses represent a decrease in liabilities.
    a. True
    b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

20. Expenses that are incurred in operating the enterprise increase owner's equity.
    a. True
    b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

21. Withdrawing cash from a business entity will result in an increase in owner's equity.
    a. True
    b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

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22. An increase in a revenue account may also result in an increase in the accounts receivable account.
    a. True
    b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

23. Financial statements commonly prepared by businesses include an income statement, a statement of owner's equity, and a balance sheet.
    a. True
    b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

24. The statement of owner's equity shows the state of the business on a specific date.
    a. True
    b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

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25. The balance sheet reports assets, liabilities, and owner's equity on a specific date.
    a. True
    b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

26. The income statement and statement of owner's equity provide information covering a period of time.
    a. True
    b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

27. The accounting equation may be expressed as
    a. owner's equity = assets − liabilities.
    b. revenue − expenses = net income.
    c. revenue = net income − expenses.
    d. liabilities − owner's equity = assets.

ANSWER:	a
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.2 - LO: 2-2
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

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28. Jason purchased office equipment for $4,800 in cash. This transaction would
    a. increase assets and increase owner's equity.
    b. increase assets and increase liabilities.
    c. increase one asset and decrease another asset.
    d. decrease assets and decrease liabilities.

ANSWER:	c
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

29. Stephen purchased office supplies for $800 on account. This transaction would
    a. increase assets and increase owner's equity.
    b. increase one asset and decrease another asset.
    c. increase assets and increase liabilities.
    d. decrease assets and decrease liabilities.

ANSWER:	c
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

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30. Meghan started her business by investing $30,000 in cash. This transaction would
    a. increase assets and increase owner's equity.
    b. increase assets and increase liabilities.
    c. increase one asset and decrease another asset.
    d. decrease assets and decrease liabilities.

ANSWER:	a
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

31. Any accounting period of twelve months' duration is usually referred to as a(n)
    a. fiscal year.
    b. calendar year.
    c. physical year.
    d. operational year.

ANSWER:	a
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

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32. Increases to owner's equity may be from
    a. expenses that are incurred.
    b. expenses exceeding revenue for the period.
    c. withdrawals of cash from the business by the owner.
    d. revenue that is derived from sales of goods or services.

ANSWER:	d
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA BB-Critical thinking BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

33. Tyler paid $3,700 on account to the company from which equipment was purchased on credit. This transaction would
    a. decrease assets and decrease liabilities.
    b. increase assets and increase owner's equity.
    c. increase assets and increase liabilities.
    d. increase one asset and decrease another asset.

ANSWER:	a
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

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34. An example of an expense is
    a. investments.
    b. supplies consumed.
    c. prepaid insurance.
    d. withdrawals by the owner.

ANSWER:	b
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

35. A decrease in owner's equity may result from a(n)
    a. purchase of office supplies for cash.
    b. withdrawal of cash from the business by the owner.
    c. revenue that is derived from sales of goods or services.
    d. investment of cash in the business by the owner.

ANSWER:	b
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA BB-Critical thinking BUSPROG: Analytic
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

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36. Which phase of the accounting process involves recognizing the effect of transactions on assets, liabilities, owner's equity, revenue, and expenses of a business?
    a. input
    b. processing
    c. output
    d. summarizing

ANSWER:	b
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.6 - LO: 2-6
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-06-Recording Transactions
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

37. The financial statement that should be completed first is the
    a. balance sheet.
    b. statement of financial position.
    c. statement of financial condition.
    d. income statement.

ANSWER:	d
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Analyzing
NOTES:	1 min.

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38. Falana received $7,000 in cash from a client for professional services rendered. This transaction would
    a. increase assets and increase owner's equity.
    b. decrease assets and increase owner's equity.
    c. increase liabilities and decrease owner's equity.
    d. decrease assets and decrease owner's equity.

ANSWER:	a
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

39. The financial statement that shows the state of the firm's assets, liabilities, and owner's equity on a specific date is called a(n)
    a. balance sheet.
    b. statement of operations.
    c. statement of owner's equity.
    d. income statement.

ANSWER:	a
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Analyzing
NOTES:	1 min.

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40. Sue Lee paid $1,200 for her employees' salaries. This transaction would
    a. increase assets and decrease owner's equity.
    b. increase assets and increase liabilities.
    c. decrease assets and decrease liabilities.
    d. decrease assets and decrease owner's equity.

ANSWER:	d
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

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41. Match the letter corresponding to one of the basic elements of accounting to each of the accounts below.

A = Asset
L = Liability
OE = Owner's Equity
R = Revenue
E = Expense

1.	Utility Expense	_____
2.	Accounts Payable	_____
3.	Prepaid Rent	_____
4.	Supplies	_____
5.	P. Coyote, Drawing	_____
6.	Wages Expense	_____
7.	P. Coyote, Capital	_____
8.	Cash	_____
9.	Advertising Expense	_____
10.	Fees Earned	_____

ANSWER:
1. E
2. L
3. A
4. A
5. OE
6. E
7. OE
8. A
9. E
10. R

POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS: AICPA BB-Industry
BUSPROG: Communication
TOPICS: ACBSP: APC-02-GAAP
KEYWORDS: Bloom's: Remembering
NOTES: 5 min.

42. Show the effect of each transaction on the three basic accounting elements by indicating the dollar amount of the increase or decrease under the proper element heading. Compute the resulting accounting equation.

a. Owner invested $16,500 cash in the business.
b. Paid premium for two-year insurance policy, $1,500.
c. Purchased a van valued at $35,000 with $5,000 down payment; the balance to be paid over three years.
d. Paid the rent for the month, $900.
e. Purchased $470 of supplies for cash.
f. Cash sales for the month, $8,750.

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g. Billed credit customers $14,200 for monthly services.
h. Paid monthly utility bill, $210.
i. Owner withdrew $2,200 for personal use.
j. Received payments of $3,300 from credit customers.

	ASSETS										=
	Cash	+	Accounts Rec.	+	Supplies	+	Prepaid Ins.	+	Van	=	
a.	_____		_____		_____		_____		_____		
b.	_____		_____		_____		_____		_____		
c.	_____		_____		_____		_____		_____		
d.	_____		_____		_____		_____		_____		
e.	_____		_____		_____		_____		_____		
f.	_____		_____		_____		_____		_____		
g.	_____		_____		_____		_____		_____		
h.	_____		_____		_____		_____		_____		
i.	_____		_____		_____		_____		_____		
j.	_____		_____		_____		_____		_____		
	_____		_____		_____		_____		_____		

	LIAB.	+	OWNER'S EQUITY							
	Notes Payable	+	Capital	–	Drawing	+	Revenues	–	Expenses	
a.	_____		_____		_____		_____		_____	
b.	_____		_____		_____		_____		_____	
c.	_____		_____		_____		_____		_____	
d.	_____		_____		_____		_____		_____	
e.	_____		_____		_____		_____		_____	
f.	_____		_____		_____		_____		_____	
g.	_____		_____		_____		_____		_____	
h.	_____		_____		_____		_____		_____	
i.	_____		_____		_____		_____		_____	
j.	_____		_____		_____		_____		_____	
	_____		_____		_____		_____		_____	

PROOF

Cash	_____	Notes Payable	_____
Accounts Receivable	_____	Capital	_____
Supplies	_____	Drawing	_____
Prepaid Insurance	_____	Revenues	_____
Van	_____	Expenses	_____
	═══		═══

ANSWER:

	ASSETS										=
	Cash	+	Accounts Rec.	+	Supplies	+	Prepaid Ins.	+	Van	=	

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a.	16,500					>
b.	(1,500)			1,500		>
c.	(5,000)				35,000	>
d.	(900)					>
e.	(470)		470			>
f.	8,750					>
g.		14,200				>
h.	(210)					>
i.	(2,200)					>
j.	3,300	(3,300)	___	_____	_____	>
	18,270	10,900	470	1,500	35,000	>

<		LIAB.	+		OWNER'S EQUITY					
<		Note Payable	+	Capital	–	Drawing	+	Revenues	–	Expenses
<										
<	a.			16,500						
<	b.									
<	c.	30,000								
<	d.									900
<	e.									
<	f.							8,750		
<	g.							14,200		
<	h.									210
<	i.					2,200				
<	j.	_____		_____		_____		_____		_____
<		30,000		16,500		2,200		22,950		1,110

PROOF

Cash	18,270	Notes Payable	30,000
Accounts Receivable	10,900	Capital	16,500
Supplies	470	Drawing	(2,200
Prepaid Insurance	1,500	Revenues	22,950
Van	35,000	Expenses	(1,110
	66,140		66,140

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: COLL.HEIN.17.2 - LO: 2-2
COLL.HEIN.17.4 - LO: 2-4
COLL.HEIN.17.5 - LO: 2-3

ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Analytic

TOPICS: ACBSP: APC-06-Recording Transactions

KEYWORDS: Bloom's: Applying

NOTES: 15 min.

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43. Show the effects of each transaction on the accounting equation by indicating under the proper heading the dollar amo increase or decrease for each transaction listed below. Compute the resulting accounting equation.

a. Owner deposited $20,000 in his new business checking account.
b. Supplies were purchased for $300 on account.
c. Paid a $1,200 premium for six months of liability insurance.
d. Purchased supplies for $200 cash.
e. Purchased equipment for $4,000 by paying $1,000; the rest to be paid in six months.
f. Paid the $300 bill outstanding (from transaction b).
g. Owner withdrew $700 from the business for personal use.

	ASSETS				=	LIAB.	+	OWNER'S EQUITY	
	Cash	**Supp.**	**Prep. Insur.**	**Equip**	=	**Accts. Pay.**	+	**Capital**	**– Drawing**
a.									
b.									
c.									
d.									
e.									
f.									
g.									

ANSWER:

	ASSETS				=	LIAB.	+	OWNER'
	Cash	**Supp.**	**Prep. Insur.**	**Equip**	=	**Accts. Pay.**	+	**Capital**
a.	20,000							20,000
b.		300				300		
c.	(1,200)		1,200					
d.	(200)	200						
e.	(1,000)			4,000		3,000		
f.	(300)					(300)		
g.	(700)							(700)
	16,600	500	1,200	4,000		3,000		19,300

PROOF

Cash	16,600	Accounts Payable	3,000
Supplies	500	Capital	20,000
Prepaid Insurance	1,200	Drawing	(700)
Equipment	4,000		
	22,300		22,300

POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.2 - LO: 2-2
COLL.HEIN.17.4 - LO: 2-4
COLL.HEIN.17.5 - LO: 2-3

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ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Analytic

TOPICS: ACBSP: APC-06-Recording Transactions

KEYWORDS: Bloom's: Applying

NOTES: 15 min.

44. Madame Shira began a fortune telling business on May 1. The following transactions occurred:

1. Owner Madame Shira invested $5,000 cash in the business.
2. Purchased $2,000 of furniture with a down payment of $500; the rest by issuing an account payable to be paid in three monthly installments.
3. Paid $700 rent.
4. Purchased a crystal ball for $300.
5. Paid $1,700 for a 12-month insurance policy.
6. During the first month received $2,500 from cash customers.
7. Sent billings of $2,000 for services rendered to credit customers.
8. Paid assistant $1,500 wages for the month.
9. Received $600 in payments from credit customers.
10. Borrowed $3,200 by signing a note.
11. Made a $500 payment on the furniture bill (from transaction 2).
12. Owner withdrew $300 cash for personal use.
13. Paid bills for advertising $60, utilities $39, and repairs $52.

Required:

1. Enter the above transactions in an accounting equation work sheet.
2. Prepare an income statement for Madame Shira for the month of May.
3. Prepare a statement of owner's equity for the month of May.

ANSWER:

1.

	ASSETS						= L
	Cash	+ **Furniture**	+ **Crystal Ball**	+ **Accounts Rec.**	+ **Prepaid Ins.**	=	
1.	5,000						
2.	(500)	2,000					
3.	(700)						
4.	(300)		300				
5.	(1,700)				1,700		
6.	2,500						
7.				2,000			
8.	(1,500)						
9.	600			(600)			
10.	3,200						
11.	(500)						
12.	(300)						
13.	(60)						
	(39)						
	(52)						
	5,649	2,000	300	1,400	1,700		

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					OWNER'S EQUITY				
		Shira, Capital	–	Shira, Drawing	+	Revenues	–	Expenses	Desc.
		5,000							
								700	Rent
						2,500			
						2,000			
								1,500	Wages
				300					
								60	Advertising
								39	Utilities
								52	Repairs
		5,000		300		4,500		2,351	

2.

Madame Shira Fortune Telling
Income Statement
For Month Ended May 31, 20--

Revenues:		
Fortune telling fees		$4,500
Expenses:		
Rent expense	$ 700	
Wages expense	1,500	
Advertising expense	60	
Utilities expense	39	
Repairs expense	52	
Total expenses		2,351
Net income		$2,149

3.

Madame Shira Fortune Telling
Statement of Owner's Equity
For Month Ended May 31, 20--

Madame Shira, capital May 1, 20--		$ 0
Investment by owner		5,000
Net income for May	$2,149	
Less withdrawals for May	300	
Increase in capital		1,849
Madame Shira, capital May 31, 20--		$6,849

POINTS: 1

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DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5 COLL.HEIN.17.4 - LO: 2-4 COLL.HEIN.17.5 - LO: 2-3
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-06-Recording Transactions
KEYWORDS:	Bloom's: Applying
NOTES:	15 min.

45. From the following list of accounts, prepare an income statement, statement of owner's equity, and balance sheet for the year ended or at December 31, 20--, for Milner's Star Express Cleaning Service.

Cash	$ 2,026
Fees Earned	13,835
Accounts Payable	7,530
D. Milner, Capital January 1, 20--	6,000
D. Milner, Drawing	1,750
Utilities Expense	153
Prepaid Insurance	1,216
Rent Expense	1,200
Accounts Receivable	4,080
Equipment	15,290
Wages Expense	1,650

ANSWER:

Milner's Star Express Cleaning Service
Income Statement
For the Year Ended December 31, 20--

Revenues:		
Fees earned		$13,8
Expenses:		
Utilities expense	$ 153	
Rent expense	1,200	
Wages expense	1,650	
Total expenses		3,0
Net income		$10,8

Milner's Star Express Cleaning Service
Statement of Owner's Equity
For the Year Ended December 31, 20--

D. Milner, capital January 1, 20--		$ 6,0
Net income for the year	$10,832	
Less withdrawals for the year	1,750	
Increase in capital		9,0
D. Milner, capital December 31, 20--		$15,0

Milner's Star Express Cleaning Service
Balance Sheet

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		December 31, 20--		
	Assets		**Liabilities**	
	Cash	$ 2,026	Accounts payable	$ 7,53(
	Prepaid insurance	1,216		
	Accounts receivable	4,080	**Owner's Equity**	
	Equipment	15,290	D. Milner, capital	15,08
	Total assets	$22,612	Total liab. & owner's equity	$22,61

POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS: AICPA FN-Reporting
BUSPROG: Analytic
TOPICS: ACBSP: APC-09-Financial Statements
KEYWORDS: Bloom's: Applying
NOTES: 15 min.

46. From the following list of accounts, prepare an income statement, statement of owner's equity, and balance sheet for the year ended or at December 31, 20--, for J. Carr's Delivery Service.

Cash	$11,450
Accounts Payable	4,450
Fees Earned	41,500
J. Carr, Capital January 1, 20--	14,500
J. Carr, Drawing	7,000
Office Supplies	250
Rent Expense	10,000
Accounts Receivable	7,000
Equipment	6,000
Wages Expense	14,000
Repairs Expense	250
Furniture	4,500

ANSWER:

J. Carr's Delivery Service
Income Statement
For the Year Ended December 31, 20--

Revenues:		
Fees earned		$41,5(
Expenses:		
Rent expense	$10,000	
Wages expense	14,000	
Repairs expense	250	
Total expenses		24,2
Net income		$17,2

J. Carr's Delivery Service
Statement of Owner's Equity

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For the Year Ended December 31, 20--

J. Carr, capital January 1, 20--		$14,50(
Net income for the year	$17,250	
Less withdrawals for the year	7,000	
Increase in capital		10,25(
J. Carr, capital December 31, 20--		$24,75(

J. Carr's Delivery Service
Balance Sheet
December 31, 20--

Assets		Liabilities	
Cash	$11,450	Accounts Payable	$ 4,45(
Accounts receivable	7,000		
Office supplies	250		
Equipment	6,000	**Owner's Equity**	
Furniture	4,500	J. Carr, capital	24,75(
Total assets	$29,200	Total liab. & owner's equity	$29,20(

POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS: AICPA FN-Reporting
BUSPROG: Analytic
TOPICS: ACBSP: APC-09-Financial Statements
KEYWORDS: Bloom's: Applying
NOTES: 15 min.

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47. Dr. Etana Jenson is a podiatrist. As of December 31, Jenson owned the following assets related to the professional practice:

Cash	$6,600	X-ray Equipment	$9,000
Office Equipment	3,500	Laboratory Equipment	3,000

As of that date, Jenson owed business suppliers as follows:

Top Flight Office Equipment Co.	$3,000
Dunhill Medical Supplies Company	1,000
Island Gas Company	2,200

Required:

a. Compute the amount of assets, liabilities, and owners' equity as of December 31.

Assets	=	Liabilities	+	Owner's Equity
_____		_____		_____

b. Assuming that during January there is an increase of $4,600 in Dr. Jenson's business assets and an increase of $2,500 in the business liabilities, compute the resulting equation as of January 31.

_____	_____	_____

c. Assuming that during February there is a decrease of $1,500 in assets and a decrease of $1,200 in liabilities, compute the resulting accounting equation as of February 28.

_____	_____	_____

ANSWER:

	Assets	=	**Liabilities**	+	**Owner's Equity**
a.	$22,100	=	$6,200	+	$15,900
b.	26,700	=	8,700	+	18,000
c.	25,200	=	7,500	+	17,700

POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.4 - LO: 2-4
COLL.HEIN.17.5 - LO: 2-3
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Analytic
TOPICS: ACBSP: APC-02-GAAP
KEYWORDS: Bloom's: Understanding
NOTES: 3 min.

48. Kristin Holden started her own consulting business in July, 20--. During the first month, the following transactions

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occurred:

a. Owner invested $12,000 cash in the business.
b. Purchased office equipment for $7,500 cash.
c. Purchased computer equipment costing $11,500 on account.
d. Paid $1,100 office rent for the month.
e. Received $1,700 cash from a client for services rendered.
f. Paid water bill for the month, $170.
g. Paid $2,400 on account for computer equipment purchased in transaction (c).
h. Paid the electric bill for the month, $200.

Required:

Record the effects of these transactions in an accounting equation worksheet.

	ASSETS					**= LIABILITIES**			**>**
	Cash	**+**	**Office Equip.**	**+**	**Computer Equip.**	**=**	**Accounts Payable**	**+**	**K. Holden, Capital**	**>**
a.	_____		_____		_____		_____		_____	>
Bal.	_____		_____		_____		_____		_____	>
b.	_____		_____		_____		_____		_____	>
Bal.	_____		_____		_____		_____		_____	>
c.	_____		_____		_____		_____		_____	>
Bal.	_____		_____		_____		_____		_____	>
d.	_____		_____		_____		_____		_____	>
Bal.	_____		_____		_____		_____		_____	>
e.	_____		_____		_____		_____		_____	>
Bal.	_____		_____		_____		_____		_____	>
f.	_____		_____		_____		_____		_____	>
Bal.	_____		_____		_____		_____		_____	>
g.	_____		_____		_____		_____		_____	>
Bal.	_____		_____		_____		_____		_____	>
h.	_____		_____		_____		_____		_____	>
Bal.	_____		_____		_____		_____		_____	>

<		**+**	**OWNER'S EQUITY**		
<		**+**	**Client Fees**	**Rent Expense**	**Utilities Expense**
<	a.		_____	_____	_____
<	Bal.		_____	_____	_____
<	b.		_____	_____	_____
<	Bal.		_____	_____	_____
<	c.		_____	_____	_____
<	Bal.		_____	_____	_____
<	d.		_____	_____	_____
<	Bal.		_____	_____	_____
<	e.		_____	_____	_____
<	Bal.		_____	_____	_____

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f.	____	____	____	
Bal.	____	____	____	
g.	____	____	____	
Bal.	____	____	____	
h.	____	____	____	
Bal.	____	____	____	

ANSWER:

	ASSETS			= LIABILITIES		
	Cash	+ Office Equip.	+ Computer Equip.	= Accounts Payable	+ K. Holden, Capital	
a.	12,000				12,000	
Bal.	12,000				12,000	
b.	(7,500)	7,500				
Bal.	4,500	7,500			12,000	
c.			11,500	11,500		
Bal.	4,500	7,500	11,500	11,500	12,000	
d.	(1,100)					
Bal.	3,400	7,500	11,500	11,500	12,000	
e.	1,700					
Bal.	5,100	7,500	11,500	11,500	12,000	
f.	(170)					
Bal.	4,930	7,500	11,500	11,500	12,000	
g.	(2,400)			(2,400)		
Bal.	2,530	7,500	11,500	9,100	12,000	
h.	(200)					
Bal.	2,330	7,500	11,500	9,100	12,000	

		OWNER'S EQUITY		
		+ Client Fees	- Rent Expense	- Utilities Expense
a.				
Bal.				
b.				
Bal.				
c.				
Bal.				
d.			1,100	
Bal.				
e.		1,700	1,100	
Bal.		1,700	1,100	
f.				170
Bal.		1,700	1,100	170
g.				
Bal.		1,700	1,100	170
h.				200
Bal.		1,700	1,100	370

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POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Analytic
TOPICS: ACBSP: APC-06-Recording Transactions
KEYWORDS: Bloom's: Remembering
NOTES: 10 min.

49. Most businesses recognize _____ when earned, even if cash has not yet been received.

ANSWER: revenue
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Communication
TOPICS: ACBSP: APC-04-Cash vs. Accrual
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

50. _____ represent the decrease in assets (or increase in liabilities) as a result of efforts made to produce revenues.

ANSWER: Expenses
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS: AICPA FN-Reporting
BUSPROG: Communication
TOPICS: ACBSP: APC-09-Financial Statements
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

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51. The _____, sometimes called the profit and loss statement, reports the profitability of business operations for a specific period of time.

ANSWER:	income statement
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

52. _____ represent the amount a business charges customers for products sold or services performed.

ANSWER:	Revenues
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

53. The relationship between the three basic accounting elements: _____, _____, and _____, can be expressed in the form of a simple equation known as the accounting equation.

ANSWER:	assets, liabilities, owner's equity assets, owner's equity, liabilities liabilities, assets, owner's equity liabilities, owner's equity, assets owner's equity, assets, liabilities owner's equity, liabilities, assets
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.2 - LO: 2-2
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

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54. _____ represent probable future benefits.

ANSWER:	Assets
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

55. A(n) _____ is an unwritten promise to pay a supplier for assets purchased or services received.

ANSWER:	accounts payable
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

56. The report which shows a firm's assets, liabilities, and owner's equity as of a specific date is called the _____.

ANSWER:	balance sheet
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Reporting BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

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57. The _____ reports the investments and withdrawals by the owner, the profits and losses generated through operations, and how they have affected the capital account.

ANSWER:	statement of owner's equity
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Reporting BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

58. A(n) _____ is a reduction in owner's equity as a result of the owner taking cash or other assets out of the business for personal use.

ANSWER:	withdrawal
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Reporting BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

59. _____ is the amount by which business assets exceed the business liabilities.

ANSWER:	Owner's equity
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA FN-Reporting BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

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60. Amounts owed to the business by its customers are called _____.

ANSWER:	accounts receivable
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA FN-Reporting BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

61. A(n) _____ is an economic event that has a direct impact on the business.

ANSWER:	business transaction
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.5 - LO: 2-3
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

62. A(n) _____ is a separate record used to summarize changes in assets, liabilities, and owner's equity of a business.

ANSWER:	account
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.5 - LO: 2-3
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

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63. According to the _____, nonbusiness assets and liabilities are not included in the business entity's accounting records.

ANSWER:	business entity concept
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

64. _____ is a measure of the ease with which an asset will be converted to cash.

ANSWER:	Liquidity
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

Match the terms with the definitions.

a. account
b. accounts payable
c. accounts receivable
d. accounting equation
e. assets
f. balance sheet
g. business entity
h. business entity concept
i. business transaction
j. drawing
k. expenses
l. income statement
m. liability
n. net income
o. net loss
p. notes payable
q. owner's equity
r. revenues

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s. statement of owner's equity

DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.1 - LO: 2-1
COLL.HEIN.17.2 - LO: 2-2
COLL.HEIN.17.3 - LO: 2-5
COLL.HEIN.17.4 - LO: 2-4
COLL.HEIN.17.5 - LO: 2-3
ACCREDITING STANDARDS: AICPA BB-Industry
BUSPROG: Communication
TOPICS: ACBSP: APC-02-GAAP
ACBSP: APC-09-Financial Statements
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

65. The amount by which the business assets exceed the business liabilities.

ANSWER: q
POINTS: 1

66. Reports assets, liabilities, and owner's equity on a specific date.

ANSWER: f
POINTS: 1

67. Withdrawals that reduce owner's equity as a result of the owner taking cash or other assets out of the business for personal use.

ANSWER: j
POINTS: 1

68. The decrease in assets (or increase in liabilities) as a result of efforts to produce revenues.

ANSWER: k
POINTS: 1

69. A formal written promise to pay a supplier or lender a specified sum of money at a definite future time.

ANSWER: p
POINTS: 1

70. The excess of total revenues over total expenses for the period.

ANSWER: n
POINTS: 1

71. Reports the profitability of business operations for a specific period of time.

ANSWER: l
POINTS: 1

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72. Reports beginning capital, plus net income, less withdrawals to compute ending capital.

ANSWER: s
POINTS: 1

73. An economic event that has a direct impact on the business.

ANSWER: i
POINTS: 1

74. The concept that nonbusiness assets and liabilities are not included in the business' accounting records.

ANSWER: h
POINTS: 1

75. Consists of the three basic accounting elements: assets = liabilities + owner's equity.

ANSWER: d
POINTS: 1

76. Items a business owns that will provide future benefits.

ANSWER: e
POINTS: 1

77. An unwritten promise to pay a supplier for assets purchased or services rendered.

ANSWER: b
POINTS: 1

78. A separate record used to summarize changes in each asset, liability, and owner's equity of a business.

ANSWER: a
POINTS: 1

79. An amount owed to a business by its customers as a result of the sale of goods or services.

ANSWER: c
POINTS: 1

80. An individual, association, or organization that engages in economic activities and controls specific economic resources.

ANSWER: g
POINTS: 1

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Chapter 3, TEST A

Name _____
Date _____

SCORING RECORD

Section	Total Possible	Deductions	Student Score
A	30		
B	30		
C	10		
D	30		
Total	100		

Section A

Directions: Each of the following statements is true or false. Indicate your choice by writing in the Answers column T for a true answer or F for a false answer. (*2 points for each correct answer)*

		Answers	For Scoring
1.	One business transaction has a single-entry effect upon the accounting elements; two business transactions together have a dual-entry effect on accounting elements.	__F__	_____
2.	A T account has three parts: the title, the debit side, and the credit side.	__T__	_____
3.	To credit an account is to enter an amount on the right side of the account.	__T__	_____
4.	For every account, the total dollar amount on the credit side is called the balance.	__F__	_____
5.	Debit always means decrease and credit always means increase.	__F__	_____
6.	A normal balance is the side of an account that is increased.	__T__	_____
7.	An increase in an expense decreases owner's equity.	__T__	_____
8.	Revenues increase owner's equity; therefore, they should always be recorded directly on the credit side of the owner's capital account.	__F__	_____
9.	If a transaction has one debit, it can only have one credit.	__F__	_____
10.	If Damen's delivery fees for the month include $800 on account from customers and $300 in cash, the revenue account increases $1,100.	__T__	_____
11.	Prepaid insurance is an asset because it will provide future benefits.	__T__	_____
12.	Withdrawals of cash by the owner for personal reasons decrease owner's equity and should be debited directly to the owner's capital account.	__F__	_____
13.	The sum of the debits must equal the sum of the credits on the trial balance.	__T__	_____
14.	A trial balance is a list of accounts showing the title and the balance of each account.	__T__	_____
15.	The trial balance is a formal statement just like the income statement, the owner's equity statement, and the balance sheet.	__F__	_____

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Section B

Directions: Complete each of the following statements by writing in the Answers column the letter of the word or words that correctly completes each statement or answers the question. *(3 points each)*

		Answers	For Scoring
1.	The assets of a business may consist of a number of items, such as (A) accounts payable; (B) cash; (C) delivery fees; (D) drawing; (E) none of these.	__B__	_____
2.	Totals on the debit and credit sides to determine the balance of an account are known as (A) footings; (B) credits; (C) debits; (D) rulings; (E) revenues.	__A__	_____
3.	The normal balance is a debit in a (A) liability account; (B) revenue account; (C) debt account; (D) capital account; (E) drawing account.	__E__	_____
4.	When a loan is paid, a(n) (A) liability account is debited; (B) expense account is debited; (C) asset account is debited; (D) revenue account is credited; (E) drawing account is debited.	__A__	_____
5.	Investment of cash in a business (A) increases revenue; (B) decreases capital; (C) increases drawing; (D) increases cash; (E) decreases drawing.	__D__	_____
6.	The financial statement prepared first is the (A) Statement of Financial Condition; (B) Statement of Owner's Equity; (C) Income Statement; (D) Balance Sheet; (E) any one of these statements can be prepared first.	__C__	_____
7.	Cash received on account affects (A) cash and accounts payable; (B) cash and accounts receivable; (C) accounts receivable and revenue; (D) accounts receivable and accounts payable; (E) cash and owner's equity.	__B__	_____
8.	Payment of office rent represents an increase in (A) revenues; (B) cash; (C) a liability account; (D) drawing; (E) expenses.	__E__	_____
9.	The trial balance is (A) a list of revenues showing the title and balance of each account; (B) used as an aid in preparing the balance sheet; (C) reported to the federal government; (D) a formal state or report; (E) all of these.	__B__	_____
10.	After the Statement of Owner's Equity is prepared, which of the following is carried over to the Balance Sheet? (A) Net Income; (B) Ending Drawing Balance; (C) Ending Capital Balance; (D) Total Assets; (E) none of these.	__C__	_____

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Section C

Directions: For each account, indicate the financial statement on which it is reported. BS = Balance Sheet, IS = Income Statement, and OE = Statement of Owner's Equity. *(1 point each)*

1.	Accounts Payable	__BS__	6.	Equipment	__BS__
2.	Accounts Receivable	__BS__	7.	Prepaid Rent	__BS__
3.	Capital	__OE/BS__	8.	Service Fees	__IS__
4.	Drawing	__OE__	9.	Supplies	__BS__
5.	Electricity Expense	__IS__	10.	Wages Expense	__IS__

Section D

Directions: The accounts below all have normal balances. Prepare a trial balance for Aster's Accounting Service as of May 31, 20--. *(30 points total)*

Accounts Payable	$ 600	Prepaid Insurance	$1,200
Accounts Receivable	700	Rent Expense	900
Aster, Capital	9,400	Service Fees	9,200
Aster, Drawing	1,000	Supplies	375
Cash	3,500	Telephone Expense	125
Computers	4,400	Wages Expense	2,000
Office Furniture	5,000		

(Note: Order of accounts listed in the trial balance may vary.)

Aster's Accounting Service
Trial Balance
May 31, 20--

Account Title	Debit	Credit
Cash	3,500	
Accounts Receivable	700	
Supplies	375	
Prepaid Insurance	1,200	
Computers	4,400	
Office Furniture	5,000	
Accounts Payable		600
Aster, Capital		9,400
Aster, Drawing	1,000	
Service Fees		9,200
Rent Expense	900	
Telephone Expense	125	
Wages Expense	2,000	
Total	19,200	19,200

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College Accounting Chapters 1 27 22nd edition Heintz Test Bank

Chapter 3, TEST B

Name _____
Date _____

SCORING RECORD

Section	Total Possible	Deductions	Student Score
A	30		
B	30		
C	10		
D	30		
Total	100		

Section A

Directions: Each of the following statements is true or false. Indicate your choice by writing in the Answers column T for a true answer or F for a false answer. (*2 points for each correct answer)*

		Answers	For Scoring
1.	A T account is used to keep track of the increases or decreases in the individual assets, liabilities, owner's equity, revenues, and expenses of a business entity.	__T__	_____
2.	Debit means left and credit means right.	__T__	_____
3.	The difference between the debit side total and the credit side total of an account is called the balance.	__T__	_____
4.	Because assets are on the left side of the accounting equation, they are decreased by a debit and increased by a credit.	__F__	_____
5.	Liability accounts normally have credit balances.	__T__	_____
6.	Every time one account is increased, another account must be decreased.	__F__	_____
7.	If Pauli received $500 in cash and $1,000 on account from customers for services provided during the month, accounts receivable would be credited for $1,500.	__F__	_____
8.	Carlos withdrew $700 for personal use. This transaction decreases cash and decreases owner's equity.	__T__	_____
9.	Wade paid his company's $150 telephone bill for the month. The cash account should be credited and a prepaid asset account should be debited.	__F__	_____
10.	Prepaid insurance is an asset account.	__T__	_____
11.	When equipment is purchased, an expense account is debited for the amount of the purchase.	__F__	_____
12.	All of the debit balances from the trial balance are carried over to the balance sheet.	__F__	_____
13.	If the totals in both columns of a trial balance are equal, it proves that all of the individual account balances are correct.	__F__	_____
14.	A trial balance is used to prove that assets plus liabilities equals owner's equity.	__F__	_____
15.	A trial balance is often used when preparing financial statements.	__T__	_____

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Section B

Directions: Complete each of the following statements by writing in the Answers column the letter of the word or words that correctly completes each statement or answers the question. *(3 points each)*

		Answers	For Scoring
1.	A debit (A) decreases cash; (B) decreases revenues; (C) increases owner's equity; (D) decreases drawing; (E) increases liabilities.	__B__	_____
2.	Net income appears in which financial statements? (A) Balance Sheet; (B) Income Statement; (C) Statement of Owner's Equity; (D) A & B; (E) B & C.	__E__	_____
3.	The normal balance is a credit in a(n) (A) asset account; (B) owner's equity account; (C) expense account; (D) drawing account; (E) none of these.	__B__	_____
4.	Examples of expenses are (A) wages; (B) rents; (C) advertising; (D) utilities; (E) all of these.	__E__	_____
5.	The capital account (A) decreases with increased revenues; (B) decreases with an investment; (C) decreases with increased expenses; (D) has a normal debit balance; (E) always has a balance equal to the cash account.	__C__	_____
6.	Ernst Elf pays his company's bill for two years of insurance coverage. The transaction (A) increases the drawing account and decreases an asset account; (B) includes a debit to the cash account; (C) decreases an asset account and a liability account; (D) increases expenses; (E) decreases one asset account and increases another asset account.	__E__	_____
7.	The trial balance should (A) only be completed if you think there is a problem; (B) list all of the accounts for the business even if they do not have a balance; (C) be submitted to the owner as a formal report for the business; (D) always balance; (E) all of these.	__D__	_____
8.	A purchase of equipment on account (A) decreases cash; (B) increases an asset; (C) decreases owner's equity; (D) decreases expenses; (E) decreases revenue.	__B__	_____
9.	The fact that each transaction has a dual effect on the accounting elements provides the basis for what is called (A) single-entry accounting; (B) compound-entry accounting; (C) multiple-entry accounting; (D) double-entry accounting; (E) duplicate-entry accounting.	__D__	_____
10.	Which of these always cause a decrease in owner's equity? (A) an increase in expenses and an increase in revenue; (B) a decrease in expenses and a decrease in revenue; (C) a decrease in expenses and a decrease in capital; (D) a decrease in expenses and an increase in revenue; (E) none of these.	__E__	_____

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Section C

Directions: Indicate the normal balance (debit or credit) for each of the following accounts. *(1 point each)*

1. Owner's Drawing _____Debit_____
2. Accounts Receivable _____Debit_____
3. Accounts Payable _____Credit_____
4. Rent Expense _____Debit_____
5. Supplies _____Debit_____
6. Cash _____Debit_____
7. Prepaid Insurance _____Debit_____
8. Notes Payable _____Credit_____
9. Owner's Capital _____Credit_____
10. Equipment _____Debit_____

Section D

Fabio Fox has started his own taxi service. During the first month, the following transactions occurred.
(a) Fabio invested $120,000 cash in the business.
(b) Cellular phone equipment was purchased with cash for $1,800.
(c) Fabio purchased a taxi by paying $3,000 cash and $27,000 on account.
(d) Fabio paid a cell phone bill for the first month, $100.
(e) A $500 payment was made on account for the taxi.
(f) Fabio received $4,700 from customers.
(g) At the end of the month, Fabio owed Best Bookkeeping $450 for bookkeeping services received.

Directions: Record the above transactions in the T accounts provided on the next page. Foot and balance the accounts. Prove debits equal credits. *(30 points total)*

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Cash	
(a) 120,000	(b) 1,800
(f) 4,700	(c) 3,000
	(d) 100
	(e) 500
104,700	5,400
Bal 119,300	

Accounts Payable	
(e) 500	(c) 27,000
	(g) 450
	Bal. 26,950

F. Fox, Capital	
	(a) 120,000

Cellular Phone Equip.	
(b) 1,800	

Cell Phone Expense	
(d) 100	

Taxi	
(c) 30,000	

Service Fees	
	(f) 4,700

Bookkeeping Expense	
(g) 450	

Debits:		Credits:	
Cash	$119,300	F. Fox, Capital	$120,000
Cellular Phone Equipment	1,800	Accounts Payable	26,950
Taxi	30,000	Service Fees	4,700
Cell Phone Expense	100		
Bookkeeping Expense	450		
Total Debits	$151,650	Total Credits	$151,650

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Chapter 3, TEST A

Name _____
Date _____

SCORING RECORD

Section	Total Possible	Deductions	Student Score
A	30		
B	30		
C	10		
D	30		
Total	100		

Section A

Directions: Each of the following statements is true or false. Indicate your choice by writing in the Answers column T for a true answer or F for a false answer. (*2 points for each correct answer)*

		Answers	For Scoring
1.	One business transaction has a single-entry effect upon the accounting elements; two business transactions together have a dual-entry effect on accounting elements.	____	_____
2.	A T account has three parts: the title, the debit side, and the credit side.	____	_____
3.	To credit an account is to enter an amount on the right side of the account.	____	_____
4.	For every account, the total dollar amount on the credit side is called the balance.	____	_____
5.	Debit always means decrease and credit always means increase.	____	_____
6.	A normal balance is the side of an account that is increased.	____	_____
7.	An increase in an expense decreases owner's equity.	____	_____
8.	Revenues increase owner's equity; therefore, they should always be recorded directly on the credit side of the owner's capital account.	____	_____
9.	If a transaction has one debit, it can only have one credit.	____	_____
10.	If Damen's delivery fees for the month include $800 on account from customers and $300 in cash, the revenue account increases $1,100.	____	_____
11.	Prepaid insurance is an asset because it will provide future benefits.	____	_____
12.	Withdrawals of cash by the owner for personal reasons decrease owner's equity and should be debited directly to the owner's capital account.	____	_____
13.	The sum of the debits must equal the sum of the credits on the trial balance.	____	_____
14.	A trial balance is a list of accounts showing the title and the balance of each account.	____	_____
15.	The trial balance is a formal statement just like the income statement, the owner's equity statement, and the balance sheet.	____	_____

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Section B

Directions: Complete each of the following statements by writing in the Answers column the letter of the word or words that correctly completes each statement or answers the question. *(3 points each)*

		Answers	For Scoring
1.	The assets of a business may consist of a number of items, such as (A) accounts payable; (B) cash; (C) delivery fees; (D) drawing; (E) none of these.	____	_____
2.	Totals on the debit and credit sides to determine the balance of an account are known as (A) footings; (B) credits; (C) debits; (D) rulings; (E) revenues.	____	_____
3.	The normal balance is a debit in a (A) liability account; (B) revenue account; (C) debt account; (D) capital account; (E) drawing account.	____	_____
4.	When a loan is paid, a(n) (A) liability account is debited; (B) expense account is debited; (C) asset account is debited; (D) revenue account is credited; (E) drawing account is debited.	____	_____
5.	Investment of cash in a business (A) increases revenue; (B) decreases capital; (C) increases drawing; (D) increases cash; (E) decreases drawing.	____	_____
6.	The financial statement prepared first is the (A) Statement of Financial Condition; (B) Statement of Owner's Equity; (C) Income Statement; (D) Balance Sheet; (E) any one of these statements can be prepared first.	____	_____
7.	Cash received on account affects (A) cash and accounts payable; (B) cash and accounts receivable; (C) accounts receivable and revenue; (D) accounts receivable and accounts payable; (E) cash and owner's equity.	____	_____
8.	Payment of office rent represents an increase in (A) revenues; (B) cash; (C) a liability account; (D) drawing; (E) expenses.	____	_____
9.	The trial balance is (A) a list of revenues showing the title and balance of each account; (B) used as an aid in preparing the balance sheet; (C) reported to the federal government; (D) a formal state or report; (E) all of these.	____	_____
10.	After the Statement of Owner's Equity is prepared, which of the following is carried over to the Balance Sheet? (A) Net Income; (B) Ending Drawing Balance; (C) Ending Capital Balance; (D) Total Assets; (E) none of these.	____	_____

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Section C

Directions: For each account, indicate the financial statement on which it is reported. BS = Balance Sheet, IS = Income Statement, and OE = Statement of Owner's Equity. *(1 point each)*

1.	Accounts Payable	____	6.	Equipment	____
2.	Accounts Receivable	____	7.	Prepaid Rent	____
3.	Capital	____	8.	Service Fees	____
4.	Drawing	____	9.	Supplies	____
5.	Electricity Expense	____	10.	Wages Expense	____

Section D

Directions: The accounts below all have normal balances. Prepare a trial balance for Aster's Accounting Service as of May 31, 20--. *(30 points total)*

Accounts Payable	$ 600	Prepaid Insurance	$1,200
Accounts Receivable	700	Rent Expense	900
Aster, Capital	9,400	Service Fees	9,200
Aster, Drawing	1,000	Supplies	375
Cash	3,500	Telephone Expense	125
Computers	4,400	Wages Expense	2,000
Office Furniture	5,000		

Account Title	Debit	Credit

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Chapter 3, TEST B

Name _____
Date _____

SCORING RECORD

Section	Total Possible	Deductions	Student Score
A	30		
B	30		
C	10		
D	30		
Total	100		

Section A

Directions: Each of the following statements is true or false. Indicate your choice by writing in the Answers column T for a true answer or F for a false answer. (*2 points for each correct answer)*

		Answers	For Scoring
1.	A T account is used to keep track of the increases or decreases in the individual assets, liabilities, owner's equity, revenues, and expenses of a business entity.	____	_____
2.	Debit means left and credit means right.	____	_____
3.	The difference between the debit side total and the credit side total of an account is called the balance.	____	_____
4.	Because assets are on the left side of the accounting equation, they are decreased by a debit and increased by a credit.	____	_____
5.	Liability accounts normally have credit balances.	____	_____
6.	Every time one account is increased, another account must be decreased.	____	_____
7.	If Pauli received $500 in cash and $1,000 on account from customers for services provided during the month, accounts receivable would be credited for $1,500.	____	_____
8.	Carlos withdrew $700 for personal use. This transaction decreases cash and decreases owner's equity.	____	_____
9.	Wade paid his company's $150 telephone bill for the month. The cash account should be credited and a prepaid asset account should be debited.	____	_____
10.	Prepaid insurance is an asset account.	____	_____
11.	When equipment is purchased, an expense account is debited for the amount of the purchase.	____	_____
12.	All of the debit balances from the trial balance are carried over to the balance sheet.	____	_____
13.	If the totals in both columns of a trial balance are equal, it proves that all of the individual account balances are correct.	____	_____
14.	A trial balance is used to prove that assets plus liabilities equals owner's equity.	____	_____
15.	A trial balance is often used when preparing financial statements.	____	_____

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Section B

Directions: Complete each of the following statements by writing in the Answers column the letter of the word or words that correctly completes each statement or answers the question. *(3 points each)*

		Answers	For Scoring
1.	A debit (A) decreases cash; (B) decreases revenues; (C) increases owner's equity; (D) decreases drawing; (E) increases liabilities.	____	_____
2.	Net income appears in which financial statements? (A) Balance Sheet; (B) Income Statement; (C) Statement of Owner's Equity; (D) A & B; (E) B & C.	____	_____
3.	The normal balance is a credit in a(n) (A) asset account; (B) owner's equity account; (C) expense account; (D) drawing account; (E) none of these.	____	_____
4.	Examples of expenses are (A) wages; (B) rents; (C) advertising; (D) utilities; (E) all of these.	____	_____
5.	The capital account (A) decreases with increased revenues; (B) decreases with an investment; (C) decreases with increased expenses; (D) has a normal debit balance; (E) always has a balance equal to the cash account.	____	_____
6.	Ernst Elf pays his company's bill for two years of insurance coverage. The transaction (A) increases the drawing account and decreases an asset account; (B) includes a debit to the cash account; (C) decreases an asset account and a liability account; (D) increases expenses; (E) decreases one asset account and increases another asset account.	____	_____
7.	The trial balance should (A) only be completed if you think there is a problem; (B) list all of the accounts for the business even if they do not have a balance; (C) be submitted to the owner as a formal report for the business; (D) always balance; (E) all of these.	____	_____
8.	A purchase of equipment on account (A) decreases cash; (B) increases an asset; (C) decreases owner's equity; (D) decreases expenses; (E) decreases revenue.	____	_____
9.	The fact that each transaction has a dual effect on the accounting elements provides the basis for what is called (A) single-entry accounting; (B) compound-entry accounting; (C) multiple-entry accounting; (D) double-entry accounting; (E) duplicate-entry accounting.	____	_____
10.	Which of these always cause a decrease in owner's equity? (A) an increase in expenses and an increase in revenue; (B) a decrease in expenses and a decrease in revenue; (C) a decrease in expenses and a decrease in capital; (D) a decrease in expenses and an increase in revenue; (E) none of these.	____	_____

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Section C

Directions: Indicate the normal balance (debit or credit) for each of the following accounts. *(1 point each)*

1. Owner's Drawing _____
2. Accounts Receivable _____
3. Accounts Payable _____
4. Rent Expense _____
5. Supplies _____
6. Cash _____
7. Prepaid Insurance _____
8. Notes Payable _____
9. Owner's Capital _____
10. Equipment _____

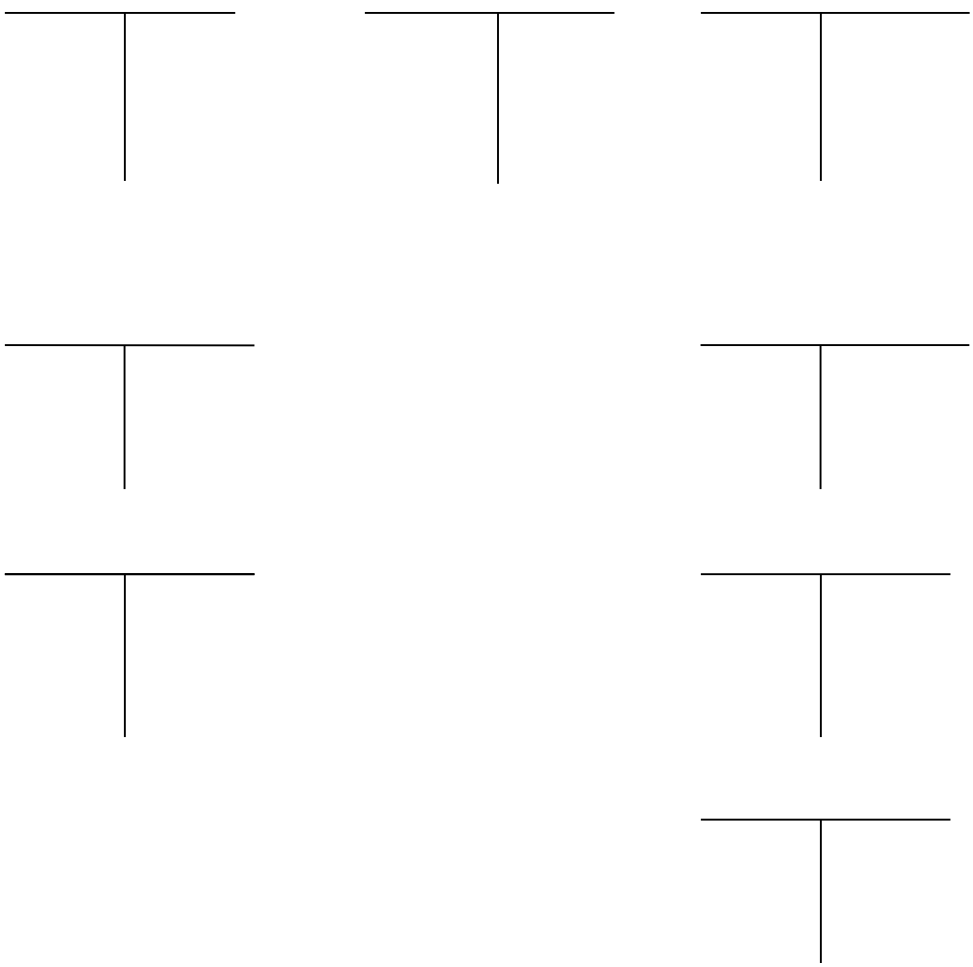
Section D

Fabio Fox has started his own taxi service. During the first month, the following transactions occurred.
(a) Fabio invested $120,000 cash in the business.
(b) Cellular phone equipment was purchased with cash for $1,800.
(c) Fabio purchased a taxi by paying $3,000 cash and $27,000 on account.
(d) Fabio paid a cell phone bill for the first month, $100.
(e) A $500 payment was made on account for the taxi.
(f) Fabio received $4,700 from customers.
(g) At the end of the month, Fabio owed Best Bookkeeping $450 for bookkeeping services received.

Directions: Record the above transactions in the T accounts provided on the next page. Foot and balance the accounts. Prove debits equal credits. *(30 points total)*

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Debits: Credits:

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