College Accounting 23rd edition Heintz Test Bank

SKU: 9781337794756-TEST-BANK

TRUE/FALSE

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

Correct Answer : A

2 : Liabilities represent an "inside" interest in a business.
A : true
B : false

Correct Answer : B

3 : The accounting equation shows the relationship among the three basic accounting elements—assets, expenses, and owner's equity.
A : true
B : false

Correct Answer : B

4 : If owner's equity and liabilities increased during the period, then assets must also have increased.
A : true
B : false

Correct Answer : A

5 : An accounts payable is an unwritten promise to pay a supplier for assets purchased or services rendered.
A : true
B : false

Correct Answer : A

6 : If the revenue of a period exceeds the expenses, the excess represents a net loss.
A : true
B : false

Correct Answer : B

7 : If the revenue of a period exceeds the expenses, the excess represents a net loss.
A : true
B : false

Correct Answer : B

8 : Revenues received during an accounting period increase owner's equity.
A : true
B : false

Correct Answer : A

9 : Revenues received during an accounting period increase owner's equity.
A : true
B : false

Correct Answer : A

10 : Revenues received during an accounting period increase owner's equity.
A : true
B : false

Correct Answer : B

11 : The income statement provides information about events over a period of a month, year, or other period of time.
A : true
B : false

Correct Answer : A

12 : The terms "profit and loss statement" or "operating statement" are sometimes used as synonyms for the balance sheet.
A : true
B : false

Correct Answer : B

13 : Other terms used for owner's equity include net worth and capital.
A : true
B : false

Correct Answer : A

14 : Any item a business owns that will provide future benefits is called owner's equity.
A : true
B : false

Correct Answer : B

15 : It is not necessary to measure a business transaction in dollars.
A : true
B : false

Correct Answer : B

16 : The accounting equation may be expressed as assets ? liabilities = owner's equity.
A : true
B : false

Correct Answer : A

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

Correct Answer : B

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

Correct Answer : A

19 : Expenses represent a decrease in liabilities.
A : true
B : false

Correct Answer : B

20 : Expenses that are incurred in operating the enterprise increase owner's equity.
A : true
B : false

Correct Answer : B

21 : Withdrawing cash from a business entity will result in an increase in owner's equity.
A : true
B : false

Correct Answer : B

22 : An increase in a revenue account may also result in an increase in the accounts receivable account.
A : true
B : false

Correct Answer : A

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

Correct Answer : A

24 : The statement of owner's equity shows the state of the business on a specific date.
A : true
B : false

Correct Answer : B

25 : The balance sheet reports assets, liabilities, and owner's equity on a specific date.
A : true

B : false

Correct Answer : A

26 : The income statement and statement of owner's equity provide information covering a period of time.
A : true
B : false

Correct Answer : A

SHORT RESPONSE

27 : Sue Lee paid $1,200 for her employees' salaries. This transaction would

Correct Answer : 1.E2.L3.A4.A5.OE6.E7.OE8.A9.E10.R

28 : Sue Lee paid $1,200 for her employees' salaries. This transaction would

Correct Answer : ?????ASSETS????=>??Cash?+AccountsRec.?+?Supplies?+PrepaidIns.?+?Va n?=>???????????>a.16,500?????????>b.(1,500)?????1,500???>c.(5,000)???????35,000?>d.(9 00)?????????>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<?AccountsPayable?+?Capital?–?Drawing?+?Revenues?–?Exp enses<??????????<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 Receivable10,900 Capital16,500 Supplies470 Drawing(2,200) Prepaid Insurance1,500 Revenues22,950 Van35,000 Expenses(1,110) Total Assets$66,140 Total Liabilities and Owner's Equity$66,140

29 : Sue Lee paid $1,200 for her employees' salaries. This transaction would

Correct Answer : ?ASSETS=LIAB.+OWNER'S EQUITY???Cash??+??Supp.??+?Prep.Insur.??+ ??Equip??=?Accts.Pay.??+??Capital??–??Drawinga.20,000??????????20,000??b.??300?????30 0????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?20,000?700?PROOF Cash16,600 Accounts Payable3,000 Supplies500 Capital20,000 Prepaid Insurance1,200 Drawing(700) Equipment 4,000 _____ 22,300 22,300

30 : Sue Lee paid $1,200 for her employees' salaries. This transaction would

Correct Answer : 1.?ASSETS= LIABILITIES>??Cash?+?Furniture?+CrystalBall?+AccountsRec. ?+PrepaidIns.?=AccountsPayable?+NotesPayable>1.5,000???????????>2.(500)?2,000?????? ?1,500??>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? ??????????3,200>11.(500)?????????(500)??>12.(300)????????????>13.(60)????????????>?(3 9)????????????>? (52)? ____?___?_____?_____?_____?_____>?5,649?2,000?300?1,400?1, 700?1,000?3,200>< + OWNER'S EQUITY?<?+Shira,Ca pital?–Shira,Drawing?+?Revenues?–?Expenses?Desc.<?5,000???????<?????????<???????700

Rent<?????????<?????????<?????2,500???<?????2,000???<???????1,500Wages<?????????<?????????<?????????<???300?????<???????60Advertising<???????39Utilities<?_____?___?_____?52Repairs<?5,000?300?4,500?2,351?2.Madame Shira Fortune TellingIncome StatementFor Month Ended May 31, 20--Revenues: Fortune telling fees $4,500Expenses: Rent expense $ 700 Wages expense 1,500 Advertising expense 60 Utilities expense 39 Repairs expense 52 Total expenses 2,351Net income $2,149?3.Madame Shira Fortune TellingStatement of Owner's EquityFor Month Ended May 31, 20--Madame Shira, capital May 1, 20-- $ 0Investment by owner 5,000Net income for May$2,149 Less withdrawals for May 300 Increase in capital 1,849Madame Shira, capital May 31, 20-- $6,849

31 : Sue Lee paid $1,200 for her employees' salaries. This transaction would

Correct Answer : ?Milner's Star Express Cleaning ServiceIncome StatementFor the Year Ended December 31, 20--Revenues: Fees earned $13,835Expenses: Utilities expense$ 153 Rent expense1,200 Wages expense1,650 Total expenses 3,003Net income $10,832?Milner's Star Express Cleaning ServiceStatement of Owner's EquityFor the Year Ended December 31, 20--D. Milner, capital January 1, 20-- $ 6,000Net income for the year$10,832 Less withdrawals for the year 1,750 Increase in capital 9,082D. Milner, capital December 31, 20-- $15,082?Milner's Star Express Cleaning ServiceBalance SheetDecember 31, 20--Assets LiabilitiesCash$ 2,026 Accounts payable$ 7,530Accounts receivable4,080 Prepaid insurance1,216 Owner's EquityEquipment15,290 D. Milner, capital15,082Total assets$22,612 Total liab. & owner's equity$22,612

32 : Sue Lee paid $1,200 for her employees' salaries. This transaction would

Correct Answer : ?J. Carr's Delivery ServiceIncome StatementFor the Year Ended December 31, 20--Revenues: Fees earned $41,500Expenses: Rent expense$10,000 Wages expense14,000 Repairs expense 250 Total expenses 24,250Net income $17,250?J. Carr's Delivery ServiceStatement of Owner's EquityFor the Year Ended December 31, 20--J. Carr, capital January 1, 20-- $14,500Net income for the year$17,250 Less withdrawals for the year 7,000 Increase in capital 10,250J. Carr, capital December 31, 20-- $24,750J. Carr's Delivery ServiceBalance SheetDecember 31, 20--Assets LiabilitiesCash$11,450 Accounts Payable$ 4,450Accounts receivable7,000 Office supplies250 Equipment6,000 Owner's EquityFurniture 4,500 J. Carr, capital24,750Total assets$29,200 Total liab. & owner's equity$29,200

33 : Sue Lee paid $1,200 for her employees' salaries. This transaction would

Correct Answer : Assets=Liabilities+Owner's Equitya.$22,100=$6,200+$15,900b.$26,700=$8,700+$18,000c.$25,200=$7,500+$17,700

34 : Sue Lee paid $1,200 for her employees' salaries. This transaction would

Correct Answer : ASSETS= LIABILITIES>??Cash?+OfficeEquip.?+ComputerEquip.?=AccountsPayable?+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?<??+ClientFees???Rent Expense??UtilitiesExpense<a.??????<Bal.??????<b.??????<Bal.??????<c.??????<Bal.??????<d.???1,100??<Bal.???1,100??<e.?1,700? ??<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?

MULTIPLE CHOICE

35 : The accounting equation may be expressed as
A : owners equity = assets ? liabilities.
B : revenue ? expenses = net income.
C : revenue = net income ? expenses.
D : liabilities ? owners equity = assets.

Correct Answer : A

36 : Jason purchased office equipment for $4,800 in cash. This transaction would
A : increase assets and increase owners equity.
B : increase assets and increase liabilities.
C : increase one asset and decrease another asset.
D : decrease assets and decrease liabilities.

Correct Answer : C

37 : Stephen purchased office supplies for $800 on account. This transaction would
A : increase assets and increase owners equity.
B : increase one asset and decrease another asset.
C : increase assets and increase liabilities.
D : decrease assets and decrease liabilities.

Correct Answer : C

38 : Meghan started her business by investing $30,000 in cash. This transaction would
A : increase assets and increase owners equity.
B : increase assets and increase liabilities.
C : increase one asset and decrease another asset.
D : decrease assets and decrease liabilities.

Correct Answer : A

39 : 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.

Correct Answer : A

40 : 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.

Correct Answer : D

41 : 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 owners equity.
C : increase assets and increase liabilities.
D : increase one asset and decrease another asset.

Correct Answer : A

42 : An example of an expense is
A : investments.
B : supplies consumed.
C : prepaid insurance.
D : withdrawals by the owner.

Correct Answer : B

43 : 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.

Correct Answer : B

44 : Identifying accounts and classifying accounts is part of which phase in the accounting process?
A : input
B : processing
C : output
D : summarizing

Correct Answer : B

45 : Business transactions are part of which phase in the accounting process?
A : processing
B : output
C : summarizing
D : input

Correct Answer : D

46 : Falana received $7,000 in cash from a client for professional services rendered. This transaction would
A : increase assets and increase owners equity.
B : decrease assets and increase owners equity.
C : increase liabilities and decrease owners equity.
D : decrease assets and decrease owners equity.

Correct Answer : A

47 : 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 owners equity.
D : income statement.

Correct Answer : A

48 : Sue Lee paid $1,200 for her employees' salaries. This transaction would
A : increase assets and decrease owners equity.
B : increase assets and increase liabilities.
C : decrease assets and decrease liabilities.
D : decrease assets and decrease owners equity.

Correct Answer : D

MATCHING

49 : Match the terms with the definitions.

A : The amount by which the business assets exceed the business liabilities.	A : account
B : Reports assets, liabilities, and owner's equity on a specific date.	B : accounts payable
C : Withdrawals that reduce owner's equity as a result of the owner taking cash or other assets out of the business for personal use.	C : accounts receivable
D : The decrease in assets (or increase in liabilities) as a result of efforts to produce revenues.	D : accounting equation
E : A formal written promise to pay a supplier or lender a specified sum of money at a definite future time.	E : assets
F : The excess of total revenues over total expenses for the period.	F : balance sheet
G : Reports the profitability of business operations for a specific period of time.	G : business entity
H : Reports beginning capital, plus net income, less withdrawals to compute ending capital.	H : business entity concept
I : An economic event that has a direct impact on the business.	I : business transaction
J : The concept that nonbusiness assets and liabilities are not included in the business' accounting records.	J : drawing
K : Consists of the three basic accounting elements: assets = liabilities + owner's equity.	K : expenses
L : Items a business owns that will provide future benefits.	L : income statement
M : An unwritten promise to pay a supplier for assets purchased or services rendered.	M : liability

N : A separate record used to summarize changes in each asset, liability, and owner's equity of a business.
O : An amount owed to a business by its customers as a result of the sale of goods or services.
P : An individual, association, or organization that engages in economic activities and controls specific economic resources.

N : net income
O : net loss
P : notes payable
Q : owner's equity
R : revenues
S : statement of owner's equity

Correct Answer :
A : A16

B : F

C : J

D : K

E : A15

F : A13

G : A11

H : A18

I : I

J : H

K : D

L : E

M : B

N : A

O : C

P : G

FILL IN THE BLANK

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

Correct Answer : revenue

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

Correct Answer : Expenses

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

Correct Answer : income statement

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

Correct Answer : Revenues

54 : _____ represent probable future benefits.

Correct Answer : Assets

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

Correct Answer : accounts payable

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

Correct Answer : balance sheet

57 : 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.

Correct Answer : withdrawal

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

Correct Answer : accounts receivable

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

Correct Answer : business transaction

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

Correct Answer : account

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

Correct Answer : business entity concept

62 : In the accounting process, the financial statements are the

Correct Answer : output