Student name:\_\_\_\_\_\_\_\_\_\_

**1)** Accounting is an information and measurement system that does all of the following *except*:

A) Identifies business activities.   
 B) Records business activities.  
 C) Communicates business activities.  
 D) Eliminates the need for interpreting financial data.  
 E) Helps people make better decisions.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Decision Making  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Topic : Importance of Accounting  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AACSB : Analytical Thinking

**2)** Which of the following is an external user of accounting information?

A) Purchasing manager.   
 B) Human resource manager.  
 C) Lender.  
 D) Chief executive officer (CEO).  
 E) Marketing manager.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Type : Static  
Topic : Users of Accounting Information  
Difficulty : 2 Medium  
Bloom's : Understand  
AACSB : Technology  
AICPA : FN Leveraging Technology

**3)** The primary objective of financial accounting is to:

A) Serve the decision-making needs of internal users.   
 B) Provide accounting information that serves external users.  
 C) Monitor consumer needs, tastes, and price concerns.  
 D) Provide information on both the costs and benefits of looking after products and services.  
 E) Know what, when, and how much product to produce.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Type : Static  
Topic : Users of Accounting Information  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting

**4)** The area of accounting aimed at serving the decision-making needs of internal users is:

A) Financial accounting.   
 B) Managerial accounting.  
 C) External auditing.  
 D) SEC reporting.  
 E) Bookkeeping.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Type : Static  
Topic : Users of Accounting Information  
AICPA : FN Reporting

**5)** External users of accounting information include all of the following *except*:

A) Shareholders.   
 B) Customers.  
 C) Purchasing managers.  
 D) Government regulators.  
 E) Creditors.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Type : Static  
Topic : Users of Accounting Information  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting

**6)** Which of the following is not true regarding a Certified Public Accountant?

A) Must meet education and experience requirements.   
 B) Must pass an examination.  
 C) Must exhibit ethical character.  
 D) May also be a Certified Management Accountant.  
 E) Cannot hold any certificate other than a CPA.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Type : Static  
Topic : Users of Accounting Information

**7)** Which of the following factors is not a component of the fraud triangle?

A) Opportunity   
 B) Pressure  
 C) Rationalization  
 D) Summarization.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Legal  
AACSB : Ethics  
Topic : Ethics  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting

**8)** Which of the following is *false* regarding ethics?

A) Ethics are beliefs that separate right from wrong.   
 B) Good ethics are good business.  
 C) Ethics do not affect the operations or outcome of a company.  
 D) Accountants face ethical choices as they prepare financial reports.  
 E) Ethics are accepted standards of good and bad behavior.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Decision Making  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AACSB : Ethics  
Topic : Ethics  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

**9)** A corporation is:

A) A business legally separate from its owners.   
 B) Controlled by the FASB.  
 C) Not responsible for its own acts and own debts.  
 D) The same as a limited liability partnership.  
 E) Not subject to double taxation.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles

**10)** The group that sets international preferred accounting practices is called the:

A) AICPA.   
 B) IASB.  
 C) CAP.  
 D) SEC.  
 E) FASB.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting  
Topic : Generally Accepted Accounting Principles  
AICPA : BB Global

**11)** The Securities and Exchange Commission (SEC) has given the task of setting GAAP to the:

A) APB.   
 B) FASB.  
 C) AAA.  
 D) AICPA.  
 E) IASB.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting  
Topic : Generally Accepted Accounting Principles

**12)** The accounting concept that requires every business to be accounted for separately from other business entities, including its owner(s), is known as the:

A) Time period assumption.   
 B) Business entity assumption.  
 C) Going-concern assumption.  
 D) Revenue recognition principle.  
 E) Measurement (Cost) principle.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting  
Topic : Generally Accepted Accounting Principles

**13)** The rule that requires financial statements to reflect the assumption that a business will continue operating instead of being closed or sold is the:

A) Going-concern assumption.   
 B) Business entity assumption.  
 C) Objectivity principle.  
 D) Measurement (Cost) principle.  
 E) Monetary unit assumption.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting  
Topic : Generally Accepted Accounting Principles

**14)** If a company is considering the purchase of a parcel of land that was originally acquired by the seller for $96,000 is currently offered for sale at $172,000, is considered by the purchaser as easily being worth $162,000, and is finally purchased for $159,000, the land should be recorded in the purchaser's books at:

A) $106,000.   
 B) $159,000.  
 C) $160,500.  
 D) $162,000.  
 E) $172,000.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Difficulty : 2 Medium  
Bloom's : Understand  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Type : Algorithmic  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

**15)** If a company is considering the purchase of a parcel of land that was originally acquired by the seller for $85,000, is currently offered for sale at $150,000, is considered by the purchaser as easily being worth $140,000, and is finally purchased for $137,000, the land should be recorded in the purchaser’s books at:

A) $95,000.   
 B) $137,000.  
 C) $138,500.  
 D) $140,000.  
 E) $150,000.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement  
AACSB : Analytical Thinking

**16)** To include the personal assets and transactions of a business's owner(s) in the records and reports of the business would be in conflict with the:

A) Objectivity principle.   
 B) Monetary unit assumption.  
 C) Business entity assumption.  
 D) Going-concern assumption.  
 E) Revenue recognition principle.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting  
Topic : Generally Accepted Accounting Principles

**17)** The accounting principle that requires accounting information to be based on actual cost and requires assets and services to be recorded initially at the cash or cash-equivalent amount given in exchange, is the:

A) Accounting equation.   
 B) Measurement (Cost) principle.  
 C) Going-concern assumption.  
 D) Cost-benefit constraint.  
 E) Business entity assumption.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**18)** The rule that requires revenue to be recognized (1) when goods or services are provided to customers and (2) at the amount expected to be received from the customer is called the:

A) Going-concern assumption.   
 B) Measurement (Cost) principle.  
 C) Revenue recognition principle.  
 D) Objectivity principle.  
 E) Business entity assumption.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**19)** The question of when revenue should be recognized on the income statement according to generally accepted accounting principles (GAAP) is addressed by the:

A) Revenue recognition principle.   
 B) Going-concern assumption.  
 C) Objectivity principle.  
 D) Business entity assumption.  
 E) Measurement (Cost) principle.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**20)** The Superior Company acquired a building for $500,000. The building was appraised at a value of $575,000. The seller had paid $300,000 for the building 6 years ago. Which accounting principle would require Superior to record the building on its records at $500,000?

A) Monetary unit assumption.   
 B) Going-concern assumption.  
 C) Measurement (Cost) principle.  
 D) Business entity assumption.  
 E) Revenue recognition principle.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement  
AACSB : Analytical Thinking

**21)** On December 15 of the current year, Conrad Accounting Services received $40,000 from a client to provide bookkeeping services for the client in the following year. Which accounting principle would require Conrad Accounting Services to record the bookkeeping revenue in the following year and not in the year the cash was received?

A) Monetary unit assumption.   
 B) Going-concern assumption.  
 C) Measurement (Cost) principle.  
 D) Business entity assumption.  
 E) Revenue recognition principle.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**22)** Marsha Bogswell is the sole shareholder of Bogswell Legal Services. Which accounting principle requires Marsha to keep her personal financial information separate from the financial information of Bogswell Legal Services?

A) Monetary unit assumption.   
 B) Going-concern assumption.  
 C) Measurement (Cost) principle.  
 D) Business entity assumption.  
 E) Expense recognition (Matching) principle.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting  
Topic : Generally Accepted Accounting Principles

**23)** A limited liability company (LLC):

A) Has owners called members.   
 B) Is subject to double taxation.  
 C) Includes a general owner with unlimited liability.  
 D) Is the same as a corporation.  
 E) Must have more than one owner.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting  
Topic : Generally Accepted Accounting Principles

**24)** A partnership:

A) Is also called a sole proprietorship.   
 B) Has unlimited liability for its partners.  
 C) Must have a written agreement in order to be legal.  
 D) Is a legal organization separate from its owners.  
 E) Has owners called shareholders.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting  
Topic : Generally Accepted Accounting Principles

**25)** Which of the following accounting principles require that all goods and services purchased be recorded at actual cost?

A) Going-concern assumption.   
 B) Expense recognition (Matching) principle..  
 C) Measurement (Cost) principle.  
 D) Business entity assumption.  
 E) Consideration assumption.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**26)** Which of the following accounting principles prescribes that a company record its expenses incurred to generate the revenue reported?

A) Going-concern assumption.   
 B) Expense recognition (Matching) principle.  
 C) Measurement (Cost) principle.  
 D) Business entity assumption.  
 E) Consideration assumption.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**27)** Revenue is properly recognized:

A) When the customer makes an order.   
 B) Only if the transaction creates an account receivable.  
 C) At the end of the accounting period.  
 D) When goods or services are provided to customers and at the amount expected to be received from the customer.  
 E) When cash from a sale is received.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**28)** All of the following are external users of accounting information except:

A) Lenders.   
 B) Shareholders.  
 C) Board of directors.  
 D) Chief executive officer (CEO).  
 E) Customers.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Type : Static  
Topic : Users of Accounting Information  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting

**29)** All of the following are external users of accounting information except:

A) Customers.   
 B) Internal Revenue Service.  
 C) Human resource managers.  
 D) Shareholders.  
 E) Lenders.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Type : Static  
Topic : Users of Accounting Information  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting

**30)** If a company uses $1,430 of its cash to purchase supplies, the effect on the accounting equation would be:

A) Assets increase $1,430 and liabilities decrease $1,430.   
 B) One asset increases $1,430 and another asset decreases $1,430, causing no effect.  
 C) Assets decrease $1,430 and equity decreases $1,430.  
 D) Assets decrease $1,430 and equity increases $1,430.  
 E) Assets increase $1,430 and liabilities increase $1,430.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Type : Algorithmic

**31)** If a company uses $1,300 of its cash to purchase supplies, the effect on the accounting equation would be:

A) Assets increase $1,300 and liabilities decrease $1,300.   
 B) One asset increases $1,300 and another asset decreases $1,300, causing no effect.  
 C) Assets decrease $1,300 and equity decreases $1,300.  
 D) Assets decrease $1,300 and equity increases $1,300.  
 E) Assets increase $1,300 and liabilities increase $1,300.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**32)** If a company receives $11,100 from a stockholder, the effect on the accounting equation would be:

A) Assets decrease $11,100 and equity decreases $11,100.   
 B) Assets increase $11,100 and liabilities decrease $11,100.  
 C) Assets increase $11,100 and liabilities increase $11,100.  
 D) Liabilities increase $11,100 and equity decreases $11,100.  
 E) Assets increase $11,100 and equity increases $11,100.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Type : Algorithmic

**33)** If a company receives $12,000 from a stockholder, the effect on the accounting equation would be:

A) Assets decrease $12,000 and equity decreases $12,000.   
 B) Assets increase $12,000 and liabilities decrease $12,000.  
 C) Assets increase $12,000 and liabilities increase $12,000.  
 D) Liabilities increase $12,000 and equity decreases $12,000.  
 E) Assets increase $12,000 and equity increases $12,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**34)** If a company purchases equipment costing $5,800 on credit, the effect on the accounting equation would be:

A) Assets increase $5,800 and liabilities decrease $5,800.   
 B) Equity decreases $5,800 and liabilities increase $5,800.  
 C) One asset increases $5,800 and another asset decreases $5,800.  
 D) Assets increase $5,800 and liabilities increase $5,800.  
 E) Equity increases $5,800 and liabilities decrease $5,800.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Type : Algorithmic

**35)** If a company purchases equipment costing $4,500 on credit, the effect on the accounting equation would be:

A) Assets increase $4,500 and liabilities decrease $4,500.   
 B) Equity decreases $4,500 and liabilities increase $4,500.  
 C) One asset increases $4,500 and another asset decreases $4,500.  
 D) Assets increase $4,500 and liabilities increase $4,500.  
 E) Equity increases $4,500 and liabilities decrease $4,500.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**36)** An example of a financing activity reported on the statement of cash flows is:

A) Buying office supplies.   
 B) Obtaining a long-term loan.  
 C) Buying office equipment.  
 D) Selling inventory.  
 E) Buying land.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard

**37)** Increases in equity that result from providing products or services to customers are called:

A) Liabilities.   
 B) Revenues.  
 C) Financing activities.  
 D) Investing activities.  
 E) Expenses.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
AICPA : BB Legal  
AICPA : FN Reporting  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard

**38)** Which of the following decreases equity:

A) Investing activities.   
 B) Assets.  
 C) Accounts receivable.  
 D) Revenues.  
 E) Expenses.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Decision Making  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**39)** An example of an investing activity on the statement of cash flows is:

A) Paying wages of employees.   
 B) Paying cash dividends.  
 C) Purchasing land.  
 D) Selling inventory.  
 E) Issuing common stock for cash.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard

**40)** Net Income:

A) Decreases equity.   
 B) Represents the amount of assets owners put into a business.  
 C) Equals assets minus liabilities.  
 D) Is the excess of revenues over expenses.  
 E) Represents owners' claims against assets.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**41)** If equity is $428,000 and liabilities are $202,000, then assets equal:

A) $226,000.   
 B) $202,000.  
 C) $428,000.  
 D) $630,000.  
 E) $1,058,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Type : Algorithmic

**42)** If equity is $300,000 and liabilities are $192,000, then assets equal:

A) $108,000.   
 B) $192,000.  
 C) $300,000.  
 D) $492,000.  
 E) $792,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking

**43)** If assets are $348,000 and liabilities are $188,000, then equity equals:

A) $160,000.   
 B) $188,000.  
 C) $348,000.  
 D) $536,000.  
 E) $884,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Type : Algorithmic

**44)** If assets are $300,000 and liabilities are $192,000, then equity equals:

A) $108,000.   
 B) $192,000.  
 C) $300,000.  
 D) $492,000.  
 E) $792,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking

**45)** Resources a company owns or controls that are expected to yield future benefits are:

A) Assets.   
 B) Revenues.  
 C) Liabilities.  
 D) Payables.  
 E) Expenses.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation

**46)** Increases in equity from sales of products or services to customers are:

A) Assets.   
 B) Revenues.  
 C) Liabilities.  
 D) Stockholders’ Equity.  
 E) Expenses.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation

**47)** The difference between a company's assets and its liabilities, or net assets is:

A) Net income.   
 B) Expense.  
 C) Equity.  
 D) Revenue.  
 E) Net loss.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation

**48)** Creditors’ claims on assets are called:

A) Net losses.   
 B) Expenses.  
 C) Revenues.  
 D) Equity.  
 E) Liabilities.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation

**49)** Decreases in equity from costs of providing products or services to customers are called:

A) Liabilities.   
 B) Equity.  
 C) Assets.  
 D) Expenses.  
 E) Stockholders’ Investment.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation

**50)** The description of the relation between a company’s assets, liabilities, and equity, which is expressed as Assets = Liabilities + Equity, is known as the:

A) Income statement equation.   
 B) Accounting equation.  
 C) Business equation.  
 D) Return on equity ratio.  
 E) Net income.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation

**51)** Revenues are:

A) The same as net income.   
 B) The excess of expenses over assets.  
 C) Resources owned or controlled by a company.  
 D) The increase in equity from a company's sales of products and services.  
 E) The costs of assets or services used.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation

**52)** If assets are $106,000 and liabilities are $36,000, then equity equals:

A) $36,000.   
 B) $70,000.  
 C) $106,000.  
 D) $142,000.  
 E) $248,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AICPA : BB Critical Thinking  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Type : Algorithmic

**53)** If assets are $99,000 and liabilities are $32,000, then equity equals:

A) $32,000.   
 B) $67,000.  
 C) $99,000.  
 D) $ 131,000.  
 E) $198,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AICPA : BB Critical Thinking  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking

**54)** Another name for equity is:

A) Net income.   
 B) Expenses.  
 C) Net assets.  
 D) Revenue.  
 E) Net loss.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation

**55)** When expenses exceed revenues, the result is called:

A) Net assets.   
 B) Negative equity.  
 C) Net loss.  
 D) Net income.  
 E) A liability.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AICPA : FN Measurement

**56)** Outflows of cash and other resources to shareholders are:

A) Liabilities.   
 B) Dividends.  
 C) Expenses.  
 D) Stock issuances.  
 E) Revenues.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation

**57)** Outflows of cash or other resources from a business to its shareholders:

A) Reduce assets and equity.   
 B) Increase assets and equity.  
 C) Reduce assets and equity (via net income).  
 D) Increases assets and reduces equity.  
 E) Reduce contributed capital.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation

**58)** The assets of a company total $716,000; the liabilities, $208,000. What is the amount of equity?

A) $924,000.   
 B) $716,000.  
 C) $508,000.  
 D) $208,000.  
 E) It is impossible to determine unless the amount of the stock issuances is known.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Type : Algorithmic

**59)** The assets of a company total $700,000; the liabilities, $200,000. What is the amount of equity?

A) $900,000.   
 B) $700,000.  
 C) $500,000.  
 D) $200,000.  
 E) It is impossible to determine unless the amount of the stock issuances is known.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking

**60)** On May 31 of the current year, the assets and liabilities of Riser, Incorporated are as follows: Cash $19,300; Accounts Receivable, $7,200; Supplies, $600; Equipment, $11,950; Accounts Payable, $9,250. What is the amount of equity as of May 31 of the current year?

A) $48,300.   
 B) $13,050.  
 C) $19,300.  
 D) $29,800.  
 E) $39,050.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Type : Algorithmic

**61)** On May 31 of the current year, the assets and liabilities of Riser, Incorporated are as follows: Cash $20,500; Accounts Receivable, $7,250; Supplies, $650; Equipment, $12,000; Accounts Payable, $9,300. What is the amount of equity as of May 31 of the current year?

A) $49,700.   
 B) $13,050.  
 C) $20,500.  
 D) $31,100.  
 E) $40,400.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard

**62)** On August 31 of the current year, the assets and liabilities of Gladstone, Incorporated are as follows: Cash $30,900; Supplies, $670; Equipment, $10,600; Accounts Payable, $9,300. What is the amount of equity as of August 31 of the current year?

A) $32,200.   
 B) $31,530.  
 C) $32,870.  
 D) $10,330.  
 E) $11,670.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Type : Algorithmic

**63)** On August 31 of the current year, the assets and liabilities of Gladstone, Incorporated are as follows: Cash $30,000; Supplies, $600; Equipment, $10,000; Accounts Payable, $8,500. What is the amount of equity as of August 31 of the current year?

A) $49,100.   
 B) $32,100.  
 C) $12,100.  
 D) $10,900.  
 E) $30,900.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard

**64)** Assets created by selling goods and services on credit are:

A) Accounts payable.   
 B) Accounts receivable.  
 C) Liabilities.  
 D) Expenses.  
 E) Equity.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation

**65)** An exchange of value between two entities which causes a change in the accounting equation is called:

A) The accounting equation.   
 B) Recordkeeping or bookkeeping.  
 C) An external transaction.  
 D) An asset.  
 E) Net Income.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Type : Static  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**66)** Saddleback Company paid off $50,000 of its accounts payable in cash. What would be the effects of this transaction on the accounting equation?

A) Assets increase $50,000; equity increase $50,000.   
 B) Assets decrease $50,000; liabilities decrease $50,000.  
 C) Assets decrease $50,000; liabilities increase $50,000.  
 D) Liabilities decrease $50,000; equity increase $50,000.  
 E) Assets decrease $50,000; equity decrease $50,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Type : Algorithmic

**67)** Saddleback Company paid off $30,000 of its accounts payable in cash. What would be the effects of this transaction on the accounting equation?

A) Assets increase $30,000; equity increases $30,000.   
 B) Assets decrease $30,000; liabilities decrease $30,000.  
 C) Assets decrease $30,000; liabilities increase $30,000.  
 D) Liabilities decrease $30,000; equity increase $30,000.  
 E) Assets decrease $30,000; equity decreases $30,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**68)** If Houston Company billed a client for $28,000 of consulting work completed, the accounts receivable asset increases by $28,000 and:

A) Accounts payable decreases $28,000.   
 B) Accounts payable increases $28,000.  
 C) Cash increases $28,000.  
 D) Revenue increases $28,000.  
 E) Revenue decreases $28,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Type : Algorithmic

**69)** If Houston Company billed a client for $10,000 of consulting work completed, the accounts receivable asset increases by $10,000 and:

A) Accounts payable decreases $10,000.   
 B) Accounts payable increases $10,000.  
 C) Cash increases $10,000.  
 D) Revenue increases $10,000.  
 E) Revenue decreases $10,000

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**70)** Alpha Company has assets of $630,000, liabilities of $265,000, and equity of $365,000. It buys office equipment on credit for $90,000. What would be the effects of this transaction on the accounting equation?

A) Assets increase by $90,000 and expenses increase by $90,000.   
 B) Assets increase by $90,000 and expenses decrease by $90,000.  
 C) Liabilities increase by $90,000 and expenses decrease by $90,000.  
 D) Assets decrease by $90,000 and expenses decrease by $90,000.  
 E) Assets increase by $90,000 and liabilities increase by $90,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Type : Algorithmic

**71)** Alpha Company has assets of $600,000, liabilities of $250,000, and equity of $350,000. It buys office equipment on credit for $75,000. What would be the effects of this transaction on the accounting equation?

A) Assets increase by $75,000 and expenses increase by $75,000.   
 B) Assets increase by $75,000 and expenses decrease by $75,000.  
 C) Liabilities increase by $75,000 and expenses decrease by $75,000.  
 D) Assets decrease by $75,000 and expenses decrease by $75,000.  
 E) Assets increase by $75,000 and liabilities increase by $75,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**72)** Contessa Company collected $42,000 cash on its accounts receivable. The effects of this transaction as reflected in the accounting equation are:

A) Total assets decrease and equity increases.   
 B) Both total assets and total liabilities decrease.  
 C) Total assets, total liabilities, and total equity are unchanged.  
 D) Both total assets and equity are unchanged and liabilities increase.  
 E) Total assets increase and equity decreases.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**73)** If the liabilities of a business increased $109,000 during a period of time and the stockholders’ equity in the business decreased $47,000 during the same period, the assets of the business must have:

A) Decreased $156,000.   
 B) Decreased $62,000.  
 C) Increased $47,000.  
 D) Increased $62,000.  
 E) Increased $156,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Type : Algorithmic

**74)** If the liabilities of a business increased $75,000 during a period of time and the stockholders’ equity in the business decreased $30,000 during the same period, the assets of the business must have:

A) Decreased $105,000.   
 B) Decreased $45,000.  
 C) Increased $30,000.  
 D) Increased $45,000.  
 E) Increased $105,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard

**75)** If the assets of a business increased $91,000 during a period of time and its liabilities increased $68,000 during the same period, equity in the business must have:

A) Increased $23,000.   
 B) Decreased $23,000.  
 C) Increased $91,000.  
 D) Decreased $159,000.  
 E) Increased $159,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Type : Algorithmic

**76)** If the assets of a business increased $89,000 during a period of time and its liabilities increased $67,000 during the same period, equity in the business must have:

A) Increased $22,000.   
 B) Decreased $22,000.  
 C) Increased $89,000.  
 D) Decreased $156,000.  
 E) Increased $156,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard

**77)** If the liabilities of a company increased $104,000 during a period of time and equity in the company decreased $34,000 during the same period, what was the effect on the assets?

A) Assets would have increased $70,000.   
 B) Assets would have decreased $70,000.  
 C) Assets would have increased $138,000.  
 D) Assets would have decreased $138,000.  
 E) None of the above.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Type : Algorithmic

**78)** If the liabilities of a company increased $74,000 during a period of time and equity in the company decreased $19,000 during the same period, what was the effect on the assets?

A) Assets would have increased $55,000.   
 B) Assets would have decreased $55,000.  
 C) Assets would have increased $93,000.  
 D) Assets would have decreased $93,000.  
 E) None of the above.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard

**79)** If a company paid $38,000 of its accounts payable in cash, what was the effect on the accounting equation?

A) Assets would decrease $38,000, liabilities would decrease $38,000, and equity would decrease $38,000.   
 B) Assets would decrease $38,000, liabilities would decrease $38,000, and equity would increase $38,000.  
 C) Assets would decrease $38,000, liabilities would decrease $38,000, and equity remains unchanged.  
 D) There would be no effect on the accounts because the accounts are affected by the same amount.  
 E) Assets would increase $38,000 and liabilities would decrease $38,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**80)** If assets are $377,000 and equity is $126,000, then liabilities are:

A) $126,000.   
 B) $251,000.  
 C) $377,000.  
 D) $503,000.  
 E) $628,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Type : Algorithmic

**81)** If assets are $365,000 and equity is $120,000, then liabilities are:

A) $120,000.   
 B) $245,000.  
 C) $365,000.  
 D) $485,000.  
 E) $610,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking

**82)** Rushing had net income of $192 million and average total assets of $1,950 million. Its return on assets (ROA) is:

A) 9.8%.   
 B) 98.5%.  
 C) 10.0%.  
 D) 102.0%.  
 E) 19.7%.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Analytical Thinking  
AICPA : BB Resource Management  
Type : Algorithmic

**83)** Rushing had net income of $240 million and average total assets of $2,000 million. Its return on assets (ROA) is:

A) 12%.   
 B) 120%.  
 C) 80%.  
 D) 8%.  
 E) 800%.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Analytical Thinking  
AICPA : BB Resource Management

**84)** Cage Company had net income of $400 million and average total assets of $2,130 million. Its return on assets (ROA) is:

A) 1.9%.   
 B) 38.0%.  
 C) 18.8%.  
 D) 5.3%.  
 E) 3.8%.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Analytical Thinking  
AICPA : BB Resource Management  
Type : Algorithmic

**85)** Cage Company had net income of $160 million and average total assets of $2,000 million. Its return on assets (ROA) is:

A) 80%.   
 B) 0.8%.  
 C) 8%.  
 D) 12.5%.  
 E) 125%.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Analytical Thinking  
AICPA : BB Resource Management

**86)** Speedy has net income of $23,955, and assets at the beginning of the year of $205,000. Assets at the end of the year total $251,000. Compute its return on assets.

A) 9.5%.   
 B) 10.5%.  
 C) 11.7%.  
 D) 11.3%.  
 E) 14.6%.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Measurement  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Analytical Thinking  
AICPA : BB Resource Management  
Bloom's : Apply  
Difficulty : 3 Hard  
Type : Algorithmic

**87)** Speedy has net income of $18,955, and assets at the beginning of the year of $200,000. Assets at the end of the year total $246,000. Compute its return on assets.

A) 7.7%.   
 B) 8.5%.  
 C) 9.5%.  
 D) 11.8%.  
 E) 13.0%.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Analytical Thinking  
AICPA : BB Resource Management  
Bloom's : Apply  
Difficulty : 3 Hard

**88)** Chou Company has a net income of $54,000, assets at the beginning of the year are $261,000 and assets at the end of the year are $311,000. Compute its return on assets.

A) 10.4%.   
 B) 20.7%.  
 C) 17.4%.  
 D) 18.9%.  
 E) 1.8%.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Measurement  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Analytical Thinking  
AICPA : BB Resource Management  
Bloom's : Apply  
Difficulty : 3 Hard  
Type : Algorithmic

**89)** Chou Company has a net income of $43,000, assets at the beginning of the year are $250,000 and assets at the end of the year are $300,000. Compute its return on assets.

A) 8.4%.   
 B) 17.2%.  
 C) 14.3%.  
 D) 15.6%.  
 E) 1.5%.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Analytical Thinking  
AICPA : BB Resource Management  
Bloom's : Apply  
Difficulty : 3 Hard

**90)** Return on assets (ROA) falls into which area of financial statement analysis.

A) Liquidity and efficiency.   
 B) Solvency.  
 C) Profitability.  
 D) Market prospects.  
 E) Market research.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Bloom's : Understand  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Analytical Thinking  
AICPA : FN Risk Analysis  
Difficulty : 3 Hard

**91)** Equity is:

A) Net income divided by average total assets.   
 B) Equal to assets plus liabilities.  
 C) The owner’s claim on assets.  
 D) Increased by expenses.  
 E) Decreased by revenue.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AICPA : FN Risk Analysis

**92)** The statement of cash flows reports all of the following *except*:

A) Cash flows from operating activities.   
 B) Cash flows from investing activities.  
 C) Cash flows from financing activities.  
 D) The net increase or decrease in assets for the period reported.  
 E) The net increase or decrease in cash for the period reported.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**93)** Which of the following is *not* a financial statement?

A) Balance Sheet.   
 B) Income Statement.  
 C) Statement of Retained Earnings.  
 D) Statement of Cash Flows.  
 E) Statement of Changes in Assets.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**94)** The statement of retained earnings:

A) Reports changes in equity due to stockholder investments.   
 B) Reports changes in equity due to net income, net losses and dividends.  
 C) Reports on cash flows for operating, financing, and investing activities over a period of time.  
 D) Reports on cash flows for operating, financing, and investing activities at a point in time.  
 E) Reports on amounts for assets, liabilities, and equity at a point in time.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**95)** The financial statement that reports whether the business earned a profit and also lists the revenues and expenses is called the:

A) Balance sheet.   
 B) Statement of retained earnings.  
 C) Statement of cash flows.  
 D) Income statement.  
 E) Statement of financial position.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**96)** A balance sheet lists:

A) The types and amounts of the revenues and expenses of a business.   
 B) Only the information about what happened to equity during a time period.  
 C) The types and amounts of assets, liabilities, and equity of a business as of a specific date.  
 D) The inflows and outflows of cash during the period.  
 E) The assets and liabilities of a company but not the stockholders’ equity.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**97)** A financial statement providing information that helps users understand a company's financial status, and which lists the types and amounts of assets, liabilities, and equity as of a specific date, is called a(n):

A) Balance sheet.   
 B) Income statement.  
 C) Statement of cash flows.  
 D) Statement of retained earnings.  
 E) Financial Status Statement.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**98)** The financial statement that identifies a company’s cash inflows (receipts) and cash outflows (payments) over a period of time is the:

A) Statement of financial position.   
 B) Statement of cash flows.  
 C) Balance sheet.  
 D) Income statement.  
 E) Statement of changes in stockholders’ equity.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**99)** The financial statement that shows the changes in equity that resulted from net income (or net loss); and dividends to stockholders is the:

A) Statement of financial position.   
 B) Statement of cash flows.  
 C) Balance sheet.  
 D) Income statement.  
 E) Statement of retained earnings.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**100)** Cash investments by stockholders are listed on which of the following statements?

A) Statement of retained earnings and income statement.   
 B) Income statement only.  
 C) Statement of retained earnings only.  
 D) Statement of retained earnings and statement of cash flows.  
 E) Statement of cash flows only.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
Difficulty : 3 Hard

**101)** Accounts payable appear on which of the following statements?

A) Balance sheet.   
 B) Income statement.  
 C) Statement of retained earnings.  
 D) Statement of cash flows.  
 E) Transaction statement.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**102)** The income statement reports all of the following *except*:

A) Revenues earned by a business.   
 B) Expenses incurred by a business.  
 C) Assets owned by a business.  
 D) Net income or loss earned by a business.  
 E) The time period over which the earnings occurred.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**103)** Use the following information as of December 31 to determine equity.

|  |  |
| --- | --- |
| **Cash** | $ 59,000 |
| **Buildings** | 177,000 |
| **Equipment** | 208,000 |
| **Liabilities** | 143,000 |

A) $59,000.   
 B) $143,000.  
 C) $301,000.  
 D) $444,000.  
 E) $587,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Type : Algorithmic

**104)** Use the following information as of December 31 to determine equity.

|  |  |
| --- | --- |
| **Cash** | $ 57,000 |
| **Buildings** | 175,000 |
| **Equipment** | 206,000 |
| **Liabilities** | 141,000 |

A) $57,000.   
 B) $141,000.  
 C) $297,000.  
 D) $438,000.  
 E) $579,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking

**105)** Use the following information for Meeker Corporation to determine the amount of equity to report.

|  |  |
| --- | --- |
| **Cash** | $ 71,000 |
| **Buildings** | 126,000 |
| **Land** | 206,200 |
| **Liabilities** | 131,000 |

A) $20,200.   
 B) $534,200.  
 C) $272,200.  
 D) $282,200.  
 E) $403,200.  
 F) $20,200.  
 G) $272,200.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Type : Algorithmic

**106)** Use the following information for Meeker Corporation to determine the amount of equity to report.

|  |  |
| --- | --- |
| **Cash** | $ 70,000 |
| **Buildings** | 125,000 |
| **Land** | 205,000 |
| **Liabilities** | 130,000 |

A) $20,000.   
 B) $390,000.  
 C) $530,000.  
 D) $140,000.  
 E) $270,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking

**107)** Determine the net income of a company for which the following information is available for the month of July.

|  |  |
| --- | --- |
| **Employee salaries expense** | $ 181,000 |
| **Interest expense** | 11,000 |
| **Rent expense** | 21,000 |
| **Consulting revenue** | 404,000 |

A) $191,000.   
 B) $213,000.  
 C) $233,000.  
 D) $404,000.  
 E) $617,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Type : Algorithmic

**108)** Determine the net income of a company for which the following information is available for the month of July.

|  |  |
| --- | --- |
| **Employee salaries expense** | $ 180,000 |
| **Interest expense** | 10,000 |
| **Rent expense** | 20,000 |
| **Consulting revenue** | 400,000 |

A) $190,000.   
 B) $210,000.  
 C) $230,000.  
 D) $400,000.  
 E) $610,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking

**109)** Determine the net income of a company for which the following information is available for the month of September.

|  |  |
| --- | --- |
| **Service revenue** | $ 300,000 |
| **Rent expense** | 48,000 |
| **Utilities expense** | 3,200 |
| **Salaries expense** | 81,000 |

A) $263,800.   
 B) $432,200.  
 C) $171,000.  
 D) $167,800.  
 E) $252,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking

**110)** A company purchases equipment for $75,000 cash. This represents a(n):

A) Operating activity.   
 B) Investing activity.  
 C) Financing activity.  
 D) Revenue activity.  
 E) Expense activity.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking

**111)** A company borrows $125,000 from the Northern Bank and receives the loan proceeds in cash. This represents a(n):

A) Revenue activity.   
 B) Operating activity.  
 C) Expense activity.  
 D) Investing activity.  
 E) Financing activity.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking

**112)** Zippy had cash inflows from operations of $78,500; cash outflows from investing activities of $63,000; and cash inflows from financing of $41,000. The net change in cash was:

A) $56,500 increase.   
 B) $56,500 decrease.  
 C) $182,500 decrease.  
 D) $182,500 increase.  
 E) $25,500 decrease.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Type : Algorithmic

**113)** Zippy had cash inflows from operations of $60,500; cash outflows from investing activities of $47,000; and cash inflows from financing of $25,000. The net change in cash was:

A) $38,500 increase.   
 B) $38,500 decrease.  
 C) $132,500 decrease.  
 D) $132,000 increase.  
 E) $11,500 decrease.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard

**114)** Zapper has beginning equity of $293,000, net income of $69,000, dividends paid of $58,000 and stockholder investments of $24,000. Its ending total equity as reported on the balance sheet is:

A) $259,000.   
 B) $258,000.  
 C) $304,000.  
 D) $328,000.  
 E) $396,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Type : Algorithmic

**115)** Zapper has beginning equity of $257,000, net income of $51,000, dividends paid of $40,000 and stockholder investments of $6,000. Its ending total equity as reported on the balance sheet is:

A) $223,000.   
 B) $240,000.  
 C) $268,000.  
 D) $274,000.  
 E) $208,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard

**116)** Cragmont has beginning equity of $277,000, net income of $63,000, dividends of $25,000 and no additional investments by stockholders during the period. Its ending equity is:

A) $365,000.   
 B) $239,000.  
 C) $189,000.  
 D) $315,000.  
 E) $277,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking

**117)** Rent expense appears on which of the following statements?

A) Balance sheet.   
 B) Income statement.  
 C) Statement of retained earnings.  
 D) Income statement and balance sheet.  
 E) Statement of cash flows and balance sheet.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**118)** A company's balance sheet shows: cash $58,000, accounts receivable $34,000, office equipment $68,000, and accounts payable $35,000. What is the amount of stockholders’ equity?

A) $35,000.   
 B) $47,000.  
 C) $125,000.  
 D) $160,000.  
 E) $195,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Type : Algorithmic

**119)** A company's balance sheet shows: cash $22,000, accounts receivable $16,000, office equipment $50,000, and accounts payable $17,000. What is the amount of stockholders’ equity?

A) $17,000.   
 B) $29,000.  
 C) $71,000.  
 D) $88,000.  
 E) $105,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking

**120)** A company reported total equity of $155,000 at the beginning of the year. The company reported $220,000 in revenues and $170,000 in expenses for the year. Liabilities at the end of the year totaled $97,000. What are the total assets of the company at the end of the year?

A) $50,000.   
 B) $97,000.  
 C) $108,000.  
 D) $220,000.  
 E) $302,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Bloom's : Apply  
Difficulty : 3 Hard  
Type : Algorithmic

**121)** A company reported total equity of $145,000 at the beginning of the year. The company reported $210,000 in revenues and $165,000 in expenses for the year. Liabilities at the end of the year totaled $92,000. What are the total assets of the company at the end of the year?

A) $45,000.   
 B) $92,000.  
 C) $98,000.  
 D) $210,000.  
 E) $282,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Bloom's : Apply  
Difficulty : 3 Hard

**122)** Flitter reported net income of $22,000 for the past year. At the beginning of the year the company had $209,000 in assets and $59,000 in liabilities. By the end of the year, assets had increased to $309,000 and liabilities were $84,000. Calculate its return on assets:

A) 10.5%.   
 B) 8.5%.  
 C) 7.1%.  
 D) 35.5%.  
 E) 25.3%.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Measurement  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Analytical Thinking  
AICPA : BB Resource Management  
Bloom's : Apply  
Difficulty : 3 Hard  
Type : Algorithmic

**123)** Flitter reported net income of $17,500 for the past year. At the beginning of the year the company had $200,000 in assets and $50,000 in liabilities. By the end of the year, assets had increased to $300,000 and liabilities were $75,000. Calculate its return on assets:

A) 8.8%.   
 B) 7.0%.  
 C) 5.8%.  
 D) 35.0%.  
 E) 23.3%.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Analytical Thinking  
AICPA : BB Resource Management  
Bloom's : Apply  
Difficulty : 3 Hard

**124)** Dawson Electronic Services had revenues of $100,000 and expenses of $60,000 for the year. Its assets at the beginning of the year were $410,000. At the end of the year assets were worth $460,000. Calculate its return on assets.

A) 9.2%.   
 B) 9.8%.  
 C) 8.7%.  
 D) 24.4%.  
 E) 23.0%.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Measurement  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Analytical Thinking  
AICPA : BB Resource Management  
Bloom's : Apply  
Difficulty : 3 Hard  
Type : Algorithmic

**125)** Dawson Electronic Services had revenues of $80,000 and expenses of $50,000 for the year. Its assets at the beginning of the year were $400,000. At the end of the year assets were worth $450,000. Calculate its return on assets.

A) 7.1%.   
 B) 7.5%.  
 C) 6.7%.  
 D) 20.0%.  
 E) 18.8%.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Analytical Thinking  
AICPA : BB Resource Management  
Bloom's : Apply  
Difficulty : 3 Hard

**126)** Rico’s Taqueria had cash inflows from operating activities of $43,000; cash outflows from investing activities of $38,000, and cash outflows from financing activities of $28,000. Calculate the net increase or decrease in cash.

A) $109,000 increase.   
 B) $53,000 increase.  
 C) $23,000 decrease.  
 D) $23,000 increase.  
 E) $66,000 decrease.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Type : Algorithmic

**127)** Rico's Taqueria had cash inflows from operating activities of $27,000; cash outflows from investing activities of $22,000, and cash outflows from financing activities of $12,000. Calculate the net increase or decrease in cash.

A) $61,000 increase.   
 B) $37,000 increase.  
 C) $7,000 decrease.  
 D) $7,000 increase.  
 E) $34,000 decrease.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard

**128)** Charlie's Chocolates' had stock issuances of $76,000 and dividends of $33,000. The company has revenues of $109,000 and expenses of $77,000. Calculate its net income.

A) $43,000.   
 B) $109,000.  
 C) $77,000.  
 D) $32,000.  
 E) $75,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Bloom's : Apply  
Difficulty : 3 Hard  
Type : Algorithmic

**129)**  Charlie’s Chocolates’ had stock issuances of $50,000 and dividends of $20,000. The company has revenues of $83,000 and expenses of $64,000. Calculate its net income.

A) $30,000.   
 B) $83,000.  
 C) $64,000.  
 D) $19,000.  
 E) $49,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Bloom's : Apply  
Difficulty : 3 Hard

**130)** Savvy Sightseeing had beginning equity of $85,000; revenues of $129,000, expenses of $78,000, and dividends to stockholders of $10,300; there were no stock issuances. Calculate the ending equity.

A) $125,700.   
 B) $51,000.  
 C) $136,000.  
 D) $23,700.  
 E) $34,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Reporting  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Type : Algorithmic

**131)** Savvy Sightseeing had beginning equity of $72,000; revenues of $90,000, expenses of $65,000, and dividends to stockholders of $9,000; there were no stock issuances. Calculate the ending equity.

A) $88,000.   
 B) $25,000.  
 C) $97,000.  
 D) $38,000.  
 E) $47,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard

**132)** WorkFit had beginning equity of $52,000; net income of $35,000, and dividends of $12,000. There were no stockholder investments during the year. Calculate the ending equity.

A) $(5,000).   
 B) $29,000.  
 C) $5,000.  
 D) $99,000.  
 E) $75,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking

**133)** A company's balance sheet shows: cash $43,000, accounts receivable $49,000, equipment $88,000, and equity $91,000. What is the amount of liabilities?

A) $180,000.   
 B) $171,000.  
 C) $89,000.  
 D) $87,000.  
 E) $271,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Type : Algorithmic

**134)** A company's balance sheet shows: cash $24,000, accounts receivable $30,000, equipment $50,000, and equity $72,000. What is the amount of liabilities?

A) $104,000.   
 B) $76,000.  
 C) $32,000.  
 D) $68,000.  
 E) $176,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking

**135)** If a company has excess space in its building that it rents to another company for $700, what is the effect on the accounting equation during the first month?

A) Assets would decrease $700 and liabilities would decrease $700.   
 B) Assets would decrease $700 and equity would increase $700.  
 C) Assets would increase $700 and equity would decrease $700.  
 D) Assets would increase $700 and equity would increase $700.  
 E) Liabilities would decrease $700 and equity would increase $700.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**136)** All of the following are classified as assets *except*:

A) Accounts Receivable.   
 B) Supplies.  
 C) Equipment.  
 D) Accounts Payable.  
 E) Land.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation

**137)** Which of the following accounts is not included in the calculation of a company's ending retained earnings?

A) Revenues.   
 B) Expenses.  
 C) Dividends.  
 D) Beginning Retained Earnings.  
 E) Cash.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**138)** All of the following are classified as liabilities *except*:

A) Accounts Receivable.   
 B) Notes Payable.  
 C) Wages Payable.  
 D) Accounts Payable.  
 E) Taxes Payable.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation

**139)** Billington Corporation borrows $80,000 cash from U.S. Bank. How does this transaction affect the accounting equation for Billington?

A) Assets would decrease $80,000 and liabilities would decrease $80,000.   
 B) Assets would decrease $80,000 and equity would increase $80,000.  
 C) Assets would increase $80,000 and equity would decrease $80,000.  
 D) Assets would increase $80,000 and liabilities would increase $80,000.  
 E) Liabilities would decrease $80,000 and equity would increase $80,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**140)** If the assets of a company increase by $55,000 during the year and its liabilities increase by $25,000 during the same year, then the change in equity of the company during the year must have been:

A) An increase of $80,000.   
 B) A decrease of $80,000.  
 C) An increase of $30,000.  
 D) A decrease of $30,000.  
 E) An increase of $25,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking

**141)** All of the following are classified as assets *except*:

A) Accounts Payable.   
 B) Accounts Receivable.  
 C) Cash.  
 D) Supplies.  
 E) Prepaid Insurance.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation

**142)** Grandmark Printing pays the current month’s rent of $2,000 to the landlord of the building where its facilities are located. How does this transaction affect the accounting equation for Grandmark?

A) Assets would decrease $2,000 and liabilities would decrease $2,000.   
 B) Assets would decrease $2,000 and equity would decrease $2,000.  
 C) Assets would increase $2,000 and equity would increase $2,000.  
 D) Assets would increase $2,000 and liabilities would increase $2,000.  
 E) Liabilities would decrease $2,000 and equity would increase $2,000.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**143)** Atkins Company collected $1,750 as payment for the amount owed by a customer from services provided the prior month on credit. How does this transaction affect the accounting equation for Atkins?

A) Assets would decrease $1,750 and liabilities would decrease $1,750.   
 B) One asset would increase $1,750 and a different asset would decrease $1,750, causing no net change in the accounting equation.  
 C) Assets would increase $1,750 and equity would increase $1,750.  
 D) Assets would increase $1,750 and liabilities would increase $1,750.  
 E) Liabilities would decrease $1,750 and equity would increase $1,750.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**144)** The accounting equation for Ying Company shows a decrease in its assets and a decrease in its equity. Which of the following transactions could have caused that effect?

A) Cash was received from providing services to a customer.   
 B) The company paid an amount due on credit.  
 C) Equipment was purchased for cash.  
 D) A utility bill was received for the current month, to be paid in the following month.  
 E) Advertising expense for the month was paid in cash.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**145)** The accounting equation for Long Company shows an increase in its assets and an increase in its liabilities. Which of the following transactions could have caused that effect?

A) Cash was received from providing services to a customer.   
 B) Cash was received as a stockholder investment.  
 C) Equipment was purchased on credit.  
 D) Supplies were purchased for cash.  
 E) Advertising expense for the month was paid in cash.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**146)** The expense recognition principle, also called the matching principle:

A) Prescribes that accounting information is based on actual cost.   
 B) Provides guidance on when a company must recognize revenue.  
 C) Prescribes that a company report the details behind financial statements that would impact users' decisions.  
 D) Prescribes that a company record the expenses it incurred to generate the revenue reported.  
 E) Means that accounting information reflects a presumption that the business will continue operating instead of being closed or sold.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**147)** The measurement principle, also called the cost principle:

A) Prescribes that accounting information is based on actual cost.   
 B) Provides guidance on when a company must recognize revenue.  
 C) Prescribes that a company report the details behind financial statements that would impact users' decisions.  
 D) Prescribes that a company record the expenses it incurred to generate the revenue reported.  
 E) Means that accounting information reflects a presumption that the business will continue operating instead of being closed or sold.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**148)** The revenue recognition principle:

A) Prescribes that accounting information is based on actual cost.   
 B) Provides guidance on when a company must recognize revenue.  
 C) Prescribes that a company report the details behind financial statements that would impact users' decisions.  
 D) Prescribes that a company record the expenses it incurred to generate the revenue reported.  
 E) Means that accounting information reflects a presumption that the business will continue operating instead of being closed or sold.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**149)** The full disclosure principle:

A) Prescribes that accounting information is based on actual cost.   
 B) Provides guidance on when a company must recognize revenue.  
 C) Prescribes that a company report the details behind financial statements that would impact users' decisions.  
 D) Prescribes that a company record the expenses it incurred to generate the revenue reported.  
 E) Means that accounting information reflects a presumption that the business will continue operating instead of being closed or sold.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**150)** The cost-benefit constraint:

A) Prescribes that accounting information is based on actual cost.   
 B) Provides guidance on when a company must recognize revenue.  
 C) Says that information disclosed by an entity must have benefits to the user that are greater than the costs of providing it.  
 D) Prescribes that a company record the expenses it incurred to generate the revenue reported.  
 E) Means that accounting information reflects a presumption that the business will continue operating instead of being closed or sold.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**151)** The going concern assumption:

A) Means that accounting information presumes that the business will continue operating instead of being closed or sold.   
 B) Means that we can express transactions and events in monetary, or money, units.  
 C) Presumes that the life of a company can be divided into time periods, such as months and years, and that useful reports can be prepared for those periods.  
 D) Means that a business is accounted for separately from other business entities, including its owner.  
 E) Prescribes that a company record the expenses it incurred to generate the revenue reported.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**152)** The monetary unit assumption:

A) Means that accounting information presumes that the business will continue operating instead of being closed or sold.   
 B) Means that transactions and events are expressed in monetary, or money, units.  
 C) Presumes that the life of a company can be divided into time periods, such as months and years, and that useful reports can be prepared for those periods.  
 D) Means that a business is accounted for separately from other business entities, including its owner.  
 E) Prescribes that a company record the expenses it incurred to generate the revenue reported.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**153)** The time period assumption:

A) Means that accounting information presumes that the business will continue operating instead of being closed or sold.   
 B) Means that transactions and events are expressed in monetary, or money, units.  
 C) Presumes that the life of a company can be divided into time periods, such as months and years, and that useful reports can be prepared for those periods.  
 D) Means that a business is accounted for separately from other business entities, including its owner.  
 E) Prescribes that a company record the expenses it incurred to generate the revenue reported.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**154)** The business entity assumption:

A) Means that accounting information presumes that the business will continue operating instead of being closed or sold.   
 B) Means that transactions and events are expressed in monetary, or money, units.  
 C) Presumes that the life of a company can be divided into time periods, such as months and years, and that useful reports can be prepared for those periods.  
 D) Means that a business is accounted for separately from other business entities, including its owner.  
 E) Prescribes that a company record the expenses it incurred to generate the revenue reported.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**155)** Internal controls are:

A) Beliefs that separate right from wrong.   
 B) Procedures to protect assets, ensure reliable accounting, promote efficiency, and uphold company policies.  
 C) An example of a general principle.  
 D) An example of a specific principle.  
 E) The same across all companies.

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Legal  
AACSB : Ethics  
Topic : Ethics  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting

**156)** The Financial Accounting Standards Board (FASB) is given the task of setting GAAP from the:

A) U.S. State Department.   
 B) Securities and Exchange Commission (SEC).  
 C) International Accounting Standards Board (IASB).  
 D) International Financial Reporting Standards (IFRS).  
 E) American Institute of Certified Public Accountants (AICPA).

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Bloom's : Understand  
AICPA : BB Legal  
AACSB : Ethics  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting  
Topic : Generally Accepted Accounting Principles  
Difficulty : 3 Hard

**157)** Which of the following accounts is not included in the asset section of the balance sheet?

A) Cash.   
 B) Accounts receivable.  
 C) Supplies.  
 D) Land.  
 E) Services revenue.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Difficulty : 1 Easy  
Type : Static  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**158)** Which of the following accounts is not included in the asset section of the balance sheet?

A) Buildings.   
 B) Wages expense.  
 C) Supplies.  
 D) Land.  
 E) Furniture.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**159)** Which of the following accounts is *not* included in the liabilities section of the balance sheet?

A) Accounts receivable.   
 B) Wages payable.  
 C) Accounts payable.  
 D) Notes payable.  
 E) Taxes payable.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**160)** Which of the following accounts is *not* included in the calculation of net income?

A) Services revenue.   
 B) Wages expense.  
 C) Rent expense.  
 D) Cash.  
 E) Rent revenue.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**161)** Which of the following combinations results in a net loss reported on the income statement?

A) Total revenues of $80,000 and total expenses of $74,000.   
 B) Total revenues of $70,000 and total expenses of $74,000.  
 C) Total revenues of $60,000 and total expenses of $52,000.  
 D) Total revenues of $20,000 and total expenses of $16,000.  
 E) Total revenues of $40,000 and total expenses of $31,000.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**162)** Which of the following combinations results does not result in $20,000 of net income reported on the income statement?

A) Total revenues of $80,000 and total expenses of $60,000.   
 B) Total revenues of $170,000 and total expenses of $150,000.  
 C) Total revenues of $60,000 and total expenses of $40,000.  
 D) Total revenues of $70,000 and total expenses of $60,000.  
 E) Total revenues of $40,000 and total expenses of $20,000.

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**163)** Accounting is an information and measurement system that identifies, records, and communicates an organization's business activities.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Topic : Importance of Accounting  
Type : Static

**164)** Recordkeeping, or bookkeeping, is the recording of transactions and events, either manually or electronically. This is just one part of accounting.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Topic : Importance of Accounting  
Type : Static

**165)** Accounting includes the analysis and interpretation of information.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Topic : Importance of Accounting  
Type : Static

**166)** Financial accounting focuses on the needs of external users, who get accounting information from general-purpose financial statements.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Type : Static  
Topic : Users of Accounting Information

**167)** Internal users of accounting information do *not* directly run the organization and have limited access to its accounting information.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Type : Static  
Topic : Users of Accounting Information

**168)** Auditors verify the effectiveness of internal controls.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Type : Static  
Topic : Users of Accounting Information

**169)** External auditors examine financial statements to verify that they are prepared according to generally accepted accounting principles.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Type : Static  
Topic : Users of Accounting Information

**170)** External users include lenders, shareholders, customers, and regulators.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Decision Making  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Type : Static  
Topic : Users of Accounting Information  
Difficulty : 2 Medium  
Bloom's : Understand

**171)** Regulators have legal authority over certain activities of organizations.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Type : Static  
Topic : Users of Accounting Information  
AICPA : BB Legal

**172)** Internal users include lenders, shareholders, brokers, and nonexecutive employees.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Decision Making  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Type : Static  
Topic : Users of Accounting Information  
Difficulty : 2 Medium  
Bloom's : Understand

**173)** Opportunities in accounting include auditing, consulting, market research, and tax planning.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Decision Making  
Learning Objective : 01-C1 Explain the importance of accounting and its users.  
Type : Static  
Topic : Users of Accounting Information  
Difficulty : 2 Medium  
Bloom's : Understand

**174)** Ethics is defined as maximizing personal wealth, regardless the cost.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Decision Making  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AACSB : Ethics  
Topic : Ethics  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

**175)** The fraud triangle shows three factors that push a person to commit fraud are opportunity, effective internal controls, and ethics.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
AACSB : Ethics  
Topic : Ethics  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting

**176)** The fraud triangle shows that three factors that push a person to commit fraud are opportunity, pressure, and rationalization.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Decision Making  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Legal  
AACSB : Ethics  
Topic : Ethics  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.

**177)** Internal controls are procedures to protect assets, ensure reliable accounting, promote efficiency, and uphold company policies.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Legal  
AACSB : Ethics  
Topic : Ethics  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting

**178)** A partnership is a business owned by two or more people.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles

**179)** Owners of a corporation are called shareholders or stockholders.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles

**180)** In a partnership the owners are called stockholders.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles

**181)** The balance sheet shows a company's net income or loss over a period of time.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**182)** The Financial Accounting Standards Board (FASB) is given the task of setting generally accepted accounting principles (GAAP) from the Securities and Exchange Commission.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting  
Topic : Generally Accepted Accounting Principles

**183)** The business entity assumption means that accounting information reflects a presumption that the business will continue operating instead of being closed or sold.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Decision Making  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles

**184)** General principles are the basic assumptions, concepts, and guidelines for preparing financial statements.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Type : Static  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles

**185)** The business entity assumption means that a business is accounted for separately from other business entities and its owner(s).

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**186)** As a general rule, revenues should not be recognized in the accounting records when earned, but rather when cash is received.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**187)** Specific accounting principles are basic assumptions, concepts, and guidelines for preparing financial statements and arise out of long-used accounting practice.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**188)** Limited liability and indefinite business life are characteristics of a corporation.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Decision Making  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles

**189)** A sole proprietorship is a business with multiple owners.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles

**190)** Unlimited liability and separate taxation of the business are advantages of a sole proprietorship.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Decision Making  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles

**191)** A partnership must pay an additional business income tax.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Decision Making  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles

**192)** Objectives, qualitative characteristics, elements, and recognition and measurement are components of the FASB conceptual framework.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**193)** Objectivity means that information is supported by independent, unbiased evidence

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**194)** The going-concern assumption presumes that a business will continue operating instead of being closed or sold.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**195)** The measurement principle (cost principle) prescribes that accounting information is based on subjective opinion rather than cost.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**196)** The monetary unit assumption means that companies should express transactions in terms such as “a lot” or “very little”.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement  
AICPA : BB Global

**197)** The International Accounting Standards Board (IASB) issues International Financial Reporting Standards (IFRS) that identify preferred accounting practices.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement  
AICPA : BB Global

**198)** A limited liability company (LLC) offers the limited liability of a partnership or proprietorship and the tax treatment of a corporation.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles

**199)** A limited liability company (LLC) offers the limited liability of a corporation and the tax treatment of a partnership or proprietorship.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles

**200)** The Securities and Exchange Commission (SEC) is a U.S. government agency that oversees proper use of GAAP by companies that sell stock and debt to the public.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Reporting  
Topic : Generally Accepted Accounting Principles

**201)** The four common forms of business ownership include sole proprietorship, partnership, corporation, and non-profit.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles

**202)** The four common forms of business ownership include sole proprietorship, partnership, limited liability company (LLC), and corporation.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles

**203)** The statement of cash flows reports cash flows from operating activities, financing activities, and investing activities.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Type : Static  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**204)** The statement of cash flows contains a section that presents cash flows from investing activities.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Type : Static  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AICPA : BB Critical Thinking

**205)** Financing activities on the statement of cash flows include long-term borrowing and repaying of cash from lenders.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
AICPA : FN Decision Making  
Type : Static  
Difficulty : 2 Medium  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AICPA : BB Critical Thinking

**206)** Investing activities on the statement of cash flows include long-term borrowing and repaying of cash from lenders.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
AICPA : FN Decision Making  
Type : Static  
Difficulty : 2 Medium  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**207)** Investing activities on the statement of cash flows include buying equipment that is held for long-term use.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
AICPA : FN Decision Making  
Type : Static  
Difficulty : 2 Medium  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**208)** Return on assets equals total revenues divided by average total assets.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Type : Static  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets

**209)** Revenues increase equity (via net income) from sales of products and services to customers.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation

**210)** A net loss occurs when revenues exceed expenses.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AICPA : FN Measurement  
AICPA : BB Critical Thinking  
AACSB : Analytical Thinking

**211)** Net income occurs when revenues exceed expenses.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AICPA : FN Measurement  
AICPA : BB Critical Thinking  
AACSB : Analytical Thinking

**212)** Liabilities are owners’ claims on assets.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation

**213)** Assets are the resources a company owns or controls and are expected to yield future benefits.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation

**214)** Dividends are subtracted as expenses in the calculation of net income.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**215)** The accounting equation can be restated as: Assets − Equity = Liabilities.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking

**216)** The accounting equation can be restated as: Assets + Liabilities = Equity.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking

**217)** Stock issuances are increases in equity from the sale of products or services.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
AICPA : BB Critical Thinking  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Topic : The Accounting Equation  
AACSB : Analytical Thinking

**218)** Every business transaction leaves the accounting equation in balance.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**219)** An external transaction is an exchange within an entity that may or may not affect the accounting equation.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
AICPA : FN Decision Making  
Type : Static  
AICPA : FN Measurement  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**220)** From an accounting perspective, an event is a happening that affects the accounting equation but cannot be measured.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
AICPA : FN Decision Making  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**221)** Equity is increased when cash is received from customers in payment of previously recorded accounts receivable.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AICPA : BB Critical Thinking  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**222)** Owner investments increase equity via net income.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
AICPA : BB Critical Thinking  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis

**223)** Return on assets is often stated in ratio form as the amount of average total assets divided by revenue.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Analytical Thinking  
AICPA : BB Resource Management

**224)** Return on assets is often stated in ratio form as the amount of net income divided by average total assets.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Analytical Thinking  
AICPA : BB Resource Management

**225)** Return on assets helps evaluate if management is effectively using assets to generate net income.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Decision Making  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AICPA : BB Resource Management

**226)** Arrow's net income of $118 million and average total assets of $1,500 million results in a return on assets of 7.87%.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Analytical Thinking  
AICPA : BB Resource Management  
Type : Algorithmic

**227)** Arrow's net income of $120 million and average total assets of $1,500 million results in a return on assets of 8%.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Analytical Thinking  
AICPA : BB Resource Management

**228)** Net income occurs when expenses are greater than revenues.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AICPA : FN Measurement  
AACSB : Reflective Thinking

**229)** A net loss occurs when liabilities are greater than assets.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AICPA : FN Measurement  
AACSB : Reflective Thinking

**230)** Owner investments and dividends are not part of net income.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AICPA : BB Critical Thinking  
AACSB : Reflective Thinking  
AICPA : FN Risk Analysis

**231)** The four basic financial statements include the balance sheet, income statement, statement of retained earnings, and statement of cash flows.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**232)** An income statement reports on investing and financing activities.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking

**233)** A balance sheet covers activities over a period of time such as a month or year.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking

**234)** The income statement reports revenues and expenses and computes net income or loss over a period of time.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking

**235)** The statement of cash flows shows the net effect of revenues and expenses for a reporting period.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking

**236)** The income statement shows the financial position of a business on a specific date.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking

**237)** The first section of the income statement reports cash flows from operating activities.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking

**238)** The left side of the balance sheet lists a company’s assets.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking

**239)** Investing activities on the statement of cash flows involve selling assets such as equipment that is held for long-term use.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking

**240)** Operating activities on the statement of cash flows include long-term borrowing and repaying cash from lenders, stockholder investments and dividends paid to stockholders.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking

**241)** The purchase of supplies appears on the statement of cash flows as an investing activity because it involves the purchase of assets.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking

**242)** The income statement reports on operating activities at a point in time.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking

**243)** The statement of cash flows identifies cash flows over a period of time and separates them into operating, investing, and financing activities.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking

**244)** Ending retained earnings, reported on the statement of retained earnings, is computed by adding cash flows and net income and subtracting net losses and dividends.

⊚ true  
 ⊚ false

**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AICPA : BB Critical Thinking  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard

**245)** The cost-benefit constraint prescribes that only information with benefits of disclosure less than the costs of providing it, need be disclosed.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**246)** The cost-benefit constraint says that information disclosed must have benefits to the user that are greater than the costs of providing it.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Measurement

**247)** Net income is sometimes called earnings or profit.

⊚ true  
 ⊚ false

**Question Details**AACSB : Communication  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Type : Static  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements

**Answer Key**Test name: Chapter 01 Test Bank - Algorith

1) D

2) C

3) B

4) B

5) C

6) E

7) D

8) C

9) A

10) B

11) B

12) B

13) A

14) B

15) B

16) C

17) B

18) C

19) A

20) C

21) E

22) D

23) A

24) B

25) C

26) B

27) D

28) D

29) C

30) B

31) B

32) E

33) E

34) D

35) D

36) B

37) B

38) E

39) C

40) D

41) D

42) D

43) A

44) A

45) A

46) B

47) C

48) E

49) D

50) B

51) D

52) B

53) B

54) C

55) C

56) B

57) A

58) C

59) C

60) D

61) D

62) C

63) B

64) B

65) C

66) B

67) B

68) D

69) D

70) E

71) E

72) C

73) D

74) D

75) A

76) A

77) A

78) A

79) C

80) B

81) B

82) A

83) A

84) C

85) C

86) B

87) B

88) D

89) D

90) C

91) C

92) D

93) E

94) B

95) D

96) C

97) A

98) B

99) E

100) E

101) A

102) C

103) C

104) C

105) C  
105) G  
105) C  
105) G

106) A  
106) E  
106) A  
106) E

107) A

108) A

109) D

110) B

111) E

112) A

113) A

114) D

115) D

116) D

117) B

118) C

119) C

120) E

121) E

122) B

123) B

124) A

125) A

126) C

127) C

128) D

129) D

130) A

131) A

132) E

133) C

134) C

135) D

136) D

137) E

138) A

139) D

140) C

141) A

142) B

143) B

144) E

145) C

146) D

147) A

148) B

149) C

150) C

151) A

152) B

153) C

154) D

155) B

156) B

157) E

158) B

159) A

160) D

161) B

162) D

163) TRUE

164) TRUE

165) TRUE

166) TRUE

167) FALSE

168) TRUE

169) TRUE

170) TRUE

171) TRUE

172) FALSE

173) TRUE

174) FALSE

175) FALSE

176) TRUE

177) TRUE

178) TRUE

179) TRUE

180) FALSE

181) FALSE

182) TRUE

183) FALSE

184) TRUE

185) TRUE

186) FALSE

187) FALSE

188) TRUE

189) FALSE

190) FALSE

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193) TRUE

194) TRUE

195) FALSE

196) FALSE

197) TRUE

198) FALSE

199) TRUE

200) TRUE

201) FALSE

202) TRUE

203) TRUE

204) TRUE

205) TRUE

206) FALSE

207) TRUE

208) FALSE

209) TRUE

210) FALSE

211) TRUE

212) FALSE

213) TRUE

214) FALSE

215) TRUE

216) FALSE

217) FALSE

218) TRUE

219) FALSE

220) FALSE

221) FALSE

222) FALSE

223) FALSE

224) TRUE

225) TRUE

226) TRUE

227) TRUE

228) FALSE

229) FALSE

230) TRUE

231) TRUE

232) FALSE

233) FALSE

234) TRUE

235) FALSE

236) FALSE

237) FALSE

238) TRUE

239) TRUE

240) FALSE

241) FALSE

242) FALSE

243) TRUE

244) FALSE

245) FALSE

246) TRUE

247) TRUE

Student name:\_\_\_\_\_\_\_\_\_\_

**1)** The characteristics below apply to at least one of the forms of business organization.   
   
 a. Is a separate legal entity.   
 b. Is allowed to be owned by one person only.   
 c. Owner or owners are personally liable for debts of the business.   
 d. Is subject to an additional business income tax.   
 e. Has an unlimited life   
   
 Use the following format to indicate (with a “yes” or “no”) whether or not a characteristic applies to each type of business organization.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Proprietorship** | **Partnership** | **Corporation** | **LLC** |
| **a.** |  |  |  |  |
| **b.** |  |  |  |  |
| **c.** |  |  |  |  |
| **d.** |  |  |  |  |
| **e.** |  |  |  |  |

**Question Details**AACSB : Communication  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Bloom's : Understand  
Difficulty : 2 Medium  
AICPA : FN Decision Making  
Topic : Generally Accepted Accounting Principles  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**2)** A parcel of land is offered for sale at $600,000, is recognized by its purchasers as easily being worth $575,000 and is sold for $570,000. At what amount should the land be recorded in the purchaser’s books? What accounting principle supports your answer?

**Question Details**AICPA : BB Industry  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Bloom's : Understand  
Difficulty : 2 Medium  
AICPA : FN Measurement  
Topic : Generally Accepted Accounting Principles  
AACSB : Analytical Thinking  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**3)** You are reviewing the accounting records of Buddy’s Foreign Automotive, owned by a Bruce Jones. You have uncovered the following situations. List the appropriate accounting principle or assumption related to each independent scenario and suggest a correct action for each.   
   
 1. In August, a check for $500 was written to Community Sports. This amount represents soccer camp for his daughter Cassie.   
 2. Bruce plans a Going Out of Business Sale for June, since he will be closing the business for a month-long vacation in July. He plans to reopen August 1 and will continue operating Buddy’s Foreign Automotive indefinitely.   
 3. Buddy received a shipment of tools from Ontario, Canada. The invoice was stated in Canadian dollars.   
 4. Customer Sandy Lane paid $1,500 to Buddy for a major repair services. The amount was recorded by Buddy as revenue. The parts for the repair must be ordered from overseas and the service won’t be complete until the following month.

**Question Details**AICPA : BB Industry  
AICPA : BB Legal  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Measurement  
Topic : Generally Accepted Accounting Principles  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**4)** At the beginning of the year, a company had $120,000 worth of liabilities. During the year, assets increased by $160,000 and at year-end they equaled $360,000. Liabilities decreased $20,000 during the year. Calculate the beginning and ending values of equity.

**Question Details**AICPA : BB Industry  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AICPA : FN Measurement  
Topic : The Accounting Equation  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**5)** At the beginning of the period, a company had $350,000 worth of assets, $110,000 worth of liabilities, and $240,000 worth of equity. Assume the only change during the period was a $30,000 purchase of equipment by issuing a note payable. Show the accounting equation with the appropriate amounts at the end of the period.

**Question Details**AICPA : BB Industry  
Bloom's : Understand  
Difficulty : 2 Medium  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**6)** The accounts of Odie Company had the following increases and decreases during the past year:

|  |  |  |
| --- | --- | --- |
| **Account** | **Increase** | **Decrease** |
| Cash | $ 25,000 |  |
| Accounts receivable |  | $ (5,000) |
| Accounts payable |  | (11,000) |
| Notes payable | 16,000 |  |

Except for net income, an investment of $3,000 by stockholders, and a cash dividend of $11,000 to stockholders, no other items affected stockholders’ equity. Using the balance sheet equation, compute net income for the past year.

**Question Details**AICPA : BB Industry  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**7)** The accounts of Mason Company at the end of the past year report the following amounts:

|  |  |
| --- | --- |
| **Accounts** | **Amount** |
| Dividends | $ 15,500 |
| Revenues | $ 97,000 |
| Expenses | $ 43,800 |
| Stock issuances | 2,000 |

If the beginning equity for the year was $173,000, calculate the ending equity for Mason Company.

**Question Details**AICPA : BB Industry  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**8)** Cornelia’s Closet has the following assets and liabilities for the dates given:

|  |  |  |
| --- | --- | --- |
|  | **October 1** | **October 31** |
| **Cash** | $ 40,000 | $ 60,000 |
| **Accounts Receivable** | 40,000 | 38,000 |
| **Accounts Payable** | 6,000 | ? |

Also, its net income, for October 1 through October 31 was $20,000 and there were no stock issuances or dividends. Determine the equity at both October 1 and October 31.

**Question Details**AICPA : BB Industry  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**9)** If the liabilities of a company increased $92,000 during a period of time and equity in the business decreased $30,000 during the same period, did the assets of the company increase or decrease? By what amount?

**Question Details**AICPA : BB Industry  
Bloom's : Understand  
Difficulty : 2 Medium  
AICPA : FN Measurement  
Topic : The Accounting Equation  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
AACSB : Analytical Thinking  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**10)** Soo Lin, the sole owner, began Internet Consulting and completed these transactions during April of the current year:

|  |  |
| --- | --- |
| **April 1** | Invested $100,000 of her personal savings into a checking account opened in the name of the business in exchange for common stock. |
| **April 2** | Rented office space and paid $1,200 cash for the month of September. |
| **April 3** | Purchased office equipment for $30,000, paying $8,000 cash and agreeing to pay the balance in one year. |
| **April 4** | Purchased office supplies for $750 cash. |
| **April 8** | Completed work for a client and immediately collected $2,700 cash for the services. |
| **April 15** | Completed $3,600 services for a client on credit. |
| **April 20** | Received $3,600 from a client for the work completed on September 15. |
| **April 30** | Paid the office secretary’s monthly salary, $3,000 cash. |
| **April 30** | The company paid $2,000 in cash dividends to Lin. |

Show the effects of the above transactions on the components of the accounting equation. Use the following format for your answers. The first item is shown as an example.   
 Increase = I Decrease = D No effect = N

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Assets** | **Liabilities** | **Equity** |
| Example: |  |  |  |
| April 1 | I | N | I |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

**Question Details**AICPA : BB Industry  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**11)** For each of the following transactions, identify the effects as reflected in the accounting equation. Use “+” to indicate an increase and “−” to indicate a decrease. Use “A”, “L”, and “E” to indicate assets, liabilities, and equity, respectively. Part A has been completed as an example.

|  |  |  |
| --- | --- | --- |
| **a. L. Chester invested $100,000 in a corporation in exchange for common stock.** | +A | +E |
| **b. Land was purchased for $50,000. A down payment of $15,000 cash was made and a note was signed for the balance.** |  |  |
| **c. Services were rendered to customers for cash.** |  |  |
| **d. A building was purchased for cash.** |  |  |
| **e. Supplies were purchased for cash.** |  |  |
| **f. Paid the office secretary’s salary.** |  |  |
| **g. The amount owed on the land from Part (b) was paid.** |  |  |

**Question Details**AICPA : BB Industry  
AICPA : FN Measurement  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**12)** The following schedule reflects shows the first month’s transactions of the Green Construction Company, owned by Jennifer Green, its sole stockholder:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Cash** | **+** | **Accounts Receivable** | **+** | **Supplies** | **+** | **Equipment** | **=** | **Accounts Payable** | **+** | **Stockholder’s Equity** |
| **1.** | +20,000 |  |  |  |  |  |  |  |  |  | +20,000 |
| **2.** | −5,000 |  |  |  |  |  | +5,000 |  |  |  |  |
| **3.** |  |  |  |  | +$1,500 |  |  |  | +1,500 |  |  |
| **4.** | +3,000 |  |  |  |  |  |  |  |  |  | +3,000 |
| **5.** | +1,000 |  | +1,500 |  |  |  |  |  |  |  | +2,500 |
| **6.** | −750 |  |  |  |  |  |  |  | −750 |  |  |
| **7.** | +500 |  | −500 |  |  |  |  |  |  |  |  |
| **8.** | −1,200 |  |  |  | +1,200 |  |  |  |  |  |  |
| **9.** | −2,000 |  |  |  |  |  |  |  |  |  | −2,000 |

Provide descriptions for each transaction.

**Question Details**AICPA : BB Industry  
AICPA : FN Measurement  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**13)** The accountant of Action Adventure Games prepared a balance sheet after every 10-day period. The only resources invested by the stockholder were at the start of the company on June 1. During June, the first month of operation, the following balance sheets were prepared:

|  |  |  |  |
| --- | --- | --- | --- |
| ACTION ADVENTURE GAMES | | | |
| Balance Sheet | | | |
| June 10 | | | |
| **Assets** |  | **Equity** |  |
| **Cash** | $ 60,000 | **Common stock** | $ 60,000 |
| **Total assets** | $ 60,000 | **Total liabilities and equity** | $ 60,000 |
| ACTION ADVENTURE GAMES | | | |
| Balance Sheet | | | |
| June 20 | | | |
| **Assets** |  | **Liabilities** |  |
| **Cash** | $ 48,000 | **Notes payable** | $ 18,000 |
| **Land** | 10,000 | **Equity** |  |
| **Building** | 20,000 | **Common stock** | 60,000 |
| **Total assets** | $ 78,000 | **Total liabilities and equity** | $ 78,000 |
| ACTION ADVENTURE GAMES | | | |
| Balance Sheet | | | |
| June 30 | | | |
| **Assets** |  | **Liabilities** |  |
| **Cash** | $ 51,000 | **Accounts payable** | $ 2,000 |
| **Office supplies** | 2,000 | **Notes payable** | 18,000 |
| **Land** | 10,000 | **Equity** |  |
| **Building** | 20,000 | **Common stock** | 60,000 |
|  |  | **Retained earnings** | 3,000 |
| **Total assets** | $ 83,000 | **Total liabilities and equity** | $ 83,000 |

Required: Describe the nature of each of the four transactions that took place between the balance sheet dates shown. Assume only one transaction affected each account.

|  |  |
| --- | --- |
| **June 10** | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| **June 20** | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| **June 30** | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

**Question Details**AICPA : BB Industry  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AICPA : FN Measurement  
Topic : The Accounting Equation  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**14)** Compute the return on assets (ROA) for each of the following separate examples.   
   
 a. Net income equals $5,000; Average total assets equals $25,000.   
 b. Net income equals $1,200; Average total assets equals $12,000.   
 c. Net income equals $8,000; Average total assets equals $160,000.

**Question Details**Difficulty : 2 Medium  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Risk Analysis  
Bloom's : Apply  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**15)** Prepare an April 30 balance sheet in proper form for Two Rivers Vending Service from the following alphabetical list of the accounts at April 30:

|  |  |
| --- | --- |
| **Accounts receivable** | $ 10,000 |
| **Accounts payable** | 18,000 |
| **Building** | 28,000 |
| **Cash** | 10,000 |
| **Common Stock** | 20,000 |
| **Notes payable** | 47,000 |
| **Office equipment** | 12,000 |
| **Retained earnings** | ? |
| **Trucks** | 55,000 |

**Question Details**AICPA : BB Industry  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Difficulty : 3 Hard  
Bloom's : Create  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**16)** Prepare a December 31 balance sheet in proper form for Smokey River Supplies from the following list of the accounts:

|  |  |
| --- | --- |
| **Cash** | $ 10,000 |
| **Accounts receivable** | 8,000 |
| **Supplies** | 12,000 |
| **Equipment** | 35,000 |
| **Land** | 18,000 |
| **Accounts payable** | 13,000 |
| **Notes payable** | 41,000 |
| **Common stock** | 20,000 |
| **Retained earnings** | 9,000 |

**Question Details**AICPA : BB Industry  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**17)** Prepare a December 31 balance sheet in proper form for Cane Property Management using the following accounts and amounts (some accounts may not be used):

|  |  |
| --- | --- |
| **Commissions earned** | $ 40,000 |
| **Accounts payable** | 3,500 |
| **Accounts receivable** | 5,000 |
| **Common stock** | 60,000 |
| **Retained earnings** | 44,500 |
| **Office equipment** | 10,000 |
| **Advertising expense** | 3,200 |
| **Cash** | 7,500 |
| **Land** | 35,000 |
| **Notes payable** | 50,000 |
| **Office supplies** | 1,500 |
| **Salaries expense** | 12,000 |
| **Salaries payable** | 1,000 |
| **Building** | 1,00,000 |

**Question Details**AICPA : BB Industry  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Difficulty : 3 Hard  
Bloom's : Create  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**18)** From the information given below, prepare a November income statement, a November statement of retained earnings, and a November 30 balance sheet. On November 1 of the current year, Victoria Garza, the sole owner, began Garza Décor with an initial investment of $50,000 cash. On November 30, her records showed the following (alphabetically arranged) items and amounts.

|  |  |
| --- | --- |
| **Accounts payable** | $ 12,000 |
| **Accounts receivable** | 19,000 |
| **Cash** | 21,200 |
| **Dividends** | 6,000 |
| **Fees earned** | 34,000 |
| **Notes payable** | 4,250 |
| **Office furnishings** | 40,000 |
| **Rent expense** | 9,600 |
| **Salaries expense** | 4,200 |
| **Telephone expense** | 250 |

**Question Details**AICPA : BB Industry  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Difficulty : 3 Hard  
Bloom's : Create  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**19)** Data for Kennedy Realty are as follows:

|  |  |
| --- | --- |
| **Total assets at January 1** | $ 100,000 |
| **Total liabilities at January 1** | 35,000 |
| **Total revenues for the year** | 79,000 |
| **Total expenses for the year** | 47,000 |

Dividends of $30,000 were paid during the year. There were no stockholder investments. Using the above data, prepare Kennedy Realty’s Statement of Retained Earnings for the year ended December 31.

**Question Details**AICPA : BB Industry  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Difficulty : 3 Hard  
Bloom's : Create  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**20)** Jet Styling has the following beginning cash balance and cash transactions for the month of January. Using this information prepare a statement of cash flows.

|  |  |
| --- | --- |
| **a. Beginning cash balance** | $ 3,200 |
| **b. Cash investment by stockholders** | 15,000 |
| **c. Cash payment toward long-term loan** | 1,000 |
| **d. Cash payment of rent** | 1,800 |
| **e. Purchased equipment for cash** | 7,500 |
| **f. Purchased store supplies for cash** | 1,500 |
| **g. Cash collected from customers** | 7,750 |
| **h. Dividends** | 2,000 |
| **i. Cash payment of wages** | 4,000 |

**Question Details**AICPA : BB Industry  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Difficulty : 3 Hard  
Bloom's : Create  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**21)** At the end of its first year of operations, the records of Roadmaster Auto Rentals show the following information. $52,000 of cash dividends were paid during the year. Prepare a December income statement, a December statement of retained earnings, and a December 31 balance sheet.

|  |  |
| --- | --- |
| **Accounts payable** | $ 36,000 |
| **Insurance expense** | 2,000 |
| **Accounts receivable** | 24,000 |
| **Common stock** | 150,000 |
| **Airplanes** | 150,000 |
| **Notes payable** | 47,000 |
| **Hangar** | 60,000 |
| **Wages expense** | 75,000 |
| **Advertising expense** | 22,000 |
| **Cash** | 11,000 |
| **Office furniture** | 15,000 |
| **Maintenance expense** | 39,000 |
| **Revenues** | 217,000 |

**Question Details**AICPA : BB Industry  
AICPA : FN Reporting  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AACSB : Analytical Thinking  
Difficulty : 3 Hard  
Bloom's : Create  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**22)** Verity Siding Company, owned by S. Verity, its sole stockholder, began operations in May and completed the following transactions during that first month of operations. Show the effects of the transactions on the accounts of the accounting equation by recording increases and decreases in the appropriate columns in the table below. Do not determine new account balances after each transaction. Determine the final total for each account and verify that the equation is in balance.

|  |  |
| --- | --- |
| **May 1** | S. Verity invested $90,000 cash in the company in exchange for common stock. |
| **May 2** | The company purchased $25,000 in office equipment. It paid $10,000 in cash and signed a note payable promising to pay the $15,000 over the next three years. |
| **May 2** | The company rented office space and paid $3,000 for the May rent. |
| **May 6** | The company installed new vinyl siding for a customer and immediately collected $5,000. |
| **May 7** | The company paid a supplier $2,000 for siding materials used on the May 6 job. |
| **May 8** | The company purchased a $2,500 copy machine for office use on credit. |
| **May 9** | The company completed work for additional customers on credit in the amount of $16,000. |
| **May 15** | The company paid its employees’ salaries $2,300 for the first half of the month. |
| **May 17** | The company installed new siding for a customer and immediately collected $2,400. |
| **May 20** | The company received $10,000 in payments from the customers billed on May 9. |
| **May 28** | The company paid $1,500 on the copy machine purchased on May 8. It will pay the remaining balance in June. |
| **May 31** | The company paid its employees’ salaries $2,400 for the second half of the month. |
| **May 31** | The company paid a supplier $5,300 for siding materials used on the remaining jobs completed during May. |
| **May 31** | The company paid $450 for this month’s utility bill. |
|  | **Assets =** | | | **Liabilities +** | | **Equity** | | | |
| **Date** | **Cash** | **Receivable** | **Equipment** | **Accounts Payable** | **Notes Payable** | **Common Stock** | **Dividends** | **Revenues** | **Expenses** |
| **May 1** |  |  |  |  |  |  |  |  |  |
| **May 2** |  |  |  |  |  |  |  |  |  |
| **May 2** |  |  |  |  |  |  |  |  |  |
| **May 6** |  |  |  |  |  |  |  |  |  |
| **May 7** |  |  |  |  |  |  |  |  |  |
| **May 8** |  |  |  |  |  |  |  |  |  |
| **May 9** |  |  |  |  |  |  |  |  |  |
| **May 15** |  |  |  |  |  |  |  |  |  |
| **May 17** |  |  |  |  |  |  |  |  |  |
| **May 20** |  |  |  |  |  |  |  |  |  |
| **May 28** |  |  |  |  |  |  |  |  |  |
| **May 31** |  |  |  |  |  |  |  |  |  |
| **May 31** |  |  |  |  |  |  |  |  |  |
| **May 31** |  |  |  |  |  |  |  |  |  |
|  | $ | $ | $ | $ | $ | $ | $ | $ | $ |

**Question Details**AICPA : BB Industry  
AICPA : FN Reporting  
AACSB : Analytical Thinking  
Bloom's : Apply  
Difficulty : 3 Hard  
Learning Objective : 01-P1 Analyze business transactions using the accounting equation.  
Topic : Transaction Analysis  
Bloom's : Analyze  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**23)** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is an information and measurement system that identifies, records and communicates an organization’s business activities.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Topic : Importance of Accounting  
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**24)** A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is a business that is owned by only one person and has unlimited liability.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Legal  
Difficulty : 1 Easy  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Decision Making  
Topic : Generally Accepted Accounting Principles  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**25)** \_\_\_\_\_\_\_\_\_\_\_\_\_\_ users of accounting information do not directly run an organization and have limited access to its accounting information.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Topic : Users of Accounting Information  
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**26)** \_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the area of accounting that focuses on the needs of external users by providing them with general-purpose financial statements.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Topic : Users of Accounting Information  
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**27)** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are procedures to protect assets, ensure reliable accounting, promote efficiency, and uphold company policies.

**Question Details**AACSB : Communication  
AACSB : Ethics  
Bloom's : Remember  
AICPA : BB Legal  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Topic : Ethics  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**28)** \_\_\_\_\_\_\_\_\_ are beliefs that separate right from wrong and are considered accepted standards of good and bad behavior.

**Question Details**AACSB : Communication  
AACSB : Ethics  
Bloom's : Remember  
AICPA : BB Industry  
Difficulty : 1 Easy  
Topic : Ethics  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**29)** The assumption that requires that a business be accounted for separately from other business entities and its owner(s) is the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ assumption.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Topic : Generally Accepted Accounting Principles  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**30)** The \_\_\_\_\_\_\_\_\_\_\_\_\_\_ assumption assumes that a business will continue operating instead of being closed or sold.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
Difficulty : 1 Easy  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Measurement  
Topic : Generally Accepted Accounting Principles  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**31)** The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ assumption states that transactions and events are expressed in monetary, or money, units.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
Difficulty : 1 Easy  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Measurement  
Topic : Generally Accepted Accounting Principles  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**32)** The principle that requires that accounting information be based on actual cost is the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
Difficulty : 1 Easy  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Measurement  
Topic : Generally Accepted Accounting Principles  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**33)** A disadvantage of a sole proprietorship is the fact that the owner has \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Legal  
Difficulty : 1 Easy  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
AICPA : FN Decision Making  
Topic : Generally Accepted Accounting Principles  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**34)** There are three sections of the statement of cash flows. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ activities involve the long-term borrowing and repaying of cash from lenders.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**35)** There are three sections of the statement of cash flows. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ activities involve buying and selling assets such as land and equipment that are held for long-term use.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**36)** There are three sections of the statement of cash flows. \_\_\_\_\_\_\_\_\_\_\_\_\_\_ activities include payments for salaries, insurance, and rent.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**37)** Outflows of cash and other assets to owners that reduce equity are \_\_\_\_\_\_\_\_\_\_\_\_.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Topic : The Accounting Equation  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**38)** \_\_\_\_\_\_\_\_\_\_\_\_ are the increases in equity from a company’s sales of products and services to customers.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Topic : The Accounting Equation  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**39)** A common characteristic of \_\_\_\_\_\_\_\_\_\_ is the expectation that they will yield future benefits.

**Question Details**AACSB : Communication  
AICPA : BB Industry  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : The Accounting Equation  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**40)** Creditors’ claims on assets that reflect company obligations to provide assets, products, or services to others are called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Topic : The Accounting Equation  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**41)** The stockholders’ claim on assets, also known as net assets, is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Topic : The Accounting Equation  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**42)** The accounting equation is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Topic : The Accounting Equation  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**43)** The term \_\_\_\_\_\_\_\_\_\_\_ refers to a liability that promises a future outflow of resources.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Topic : The Accounting Equation  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**44)** Using the accounting equation, equity is equal to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Question Details**AACSB : Communication  
AICPA : BB Industry  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : The Accounting Equation  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**45)** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the recording of transactions and events.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Topic : Importance of Accounting  
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**46)** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is net income divided by average total assets.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**47)** Return on assets is\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ divided by average total assets.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
Difficulty : 1 Easy  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
AICPA : FN Risk Analysis  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**48)** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ reports changes in the stockholders’ claim on the business’s assets from net income or loss and dividends over a period of time.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**49)** The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ describes a company’s revenues and expenses along with the resulting net income or net loss over a period of time due to earnings activities.

**Question Details**AACSB : Communication  
Bloom's : Remember  
AICPA : BB Industry  
AICPA : FN Reporting  
Difficulty : 1 Easy  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**50)** Explain the role of accounting in the information age.

**Question Details**AACSB : Communication  
AICPA : BB Industry  
AICPA : FN Reporting  
Topic : Importance of Accounting  
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.  
Bloom's : Understand  
AACSB : Technology  
Difficulty : 2 Medium  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**51)** What is the balance sheet? What is its purpose?

**Question Details**AACSB : Communication  
AICPA : BB Industry  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**52)** Identify the users and uses of accounting information.

**Question Details**AACSB : Communication  
AICPA : BB Industry  
Topic : Users of Accounting Information  
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.  
Bloom's : Understand  
Difficulty : 2 Medium  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**53)** Identify several opportunities in accounting and distinguish between private accounting and public accounting.

**Question Details**AACSB : Communication  
AICPA : BB Industry  
Topic : Users of Accounting Information  
Learning Objective : 01-C1 Explain the importance of accounting and identify its users.  
Bloom's : Understand  
Difficulty : 2 Medium  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**54)** Explain why ethics are an integral part of accounting.

**Question Details**AACSB : Communication  
AACSB : Ethics  
AICPA : BB Industry  
Topic : Ethics  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Bloom's : Understand  
Difficulty : 2 Medium  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**55)** Describe the two important guidelines for revenue recognition.

**Question Details**AACSB : Communication  
AICPA : BB Industry  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Bloom's : Understand  
Difficulty : 2 Medium  
AICPA : FN Measurement  
Topic : Generally Accepted Accounting Principles  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**56)** Identify the four basic forms of business organizations and their key attributes.

**Question Details**AACSB : Communication  
AICPA : BB Industry  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Generally Accepted Accounting Principles  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Legal  
Type : Static

**57)** Identify and describe the two main groups involved in establishing generally accepted accounting principles.

**Question Details**AACSB : Communication  
AICPA : BB Legal  
AICPA : FN Reporting  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Generally Accepted Accounting Principles  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**58)** How does the going-concern principle affect reporting asset values of a business?

**Question Details**AACSB : Communication  
AICPA : BB Industry  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Bloom's : Understand  
Difficulty : 2 Medium  
AICPA : FN Measurement  
Topic : Generally Accepted Accounting Principles  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**59)** Describe the income statement and the relation between revenues, expenses, and net income or loss.

**Question Details**AACSB : Communication  
AICPA : BB Industry  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
AICPA : FN Measurement  
Topic : The Accounting Equation  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**60)** Explain the accounting equation and define its terms.

**Question Details**AACSB : Communication  
AICPA : BB Industry  
Bloom's : Understand  
Difficulty : 2 Medium  
AICPA : FN Measurement  
Topic : The Accounting Equation  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**61)** What distinguishes liabilities from equity?

**Question Details**AACSB : Communication  
AICPA : BB Industry  
Bloom's : Understand  
Difficulty : 2 Medium  
AICPA : FN Measurement  
Topic : The Accounting Equation  
Learning Objective : 01-A1 Define and interpret the accounting equation and each of its components.  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**62)** What is the purpose of return on assets as an analytical tool?

**Question Details**AACSB : Communication  
AICPA : BB Industry  
Bloom's : Understand  
Difficulty : 2 Medium  
AICPA : FN Measurement  
AICPA : BB Resource Management  
Learning Objective : 01-A2 Compute and interpret return on assets.  
Topic : Return on Assets  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**63)** Explain the cost-benefit constraint.

**Question Details**AACSB : Communication  
Learning Objective : 01-C2 Describe the importance of ethics and GAAP.  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Generally Accepted Accounting Principles  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Risk Analysis  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**64)** Describe the three types of activities reported on the statement of cash flows.

**Question Details**AACSB : Communication  
AICPA : BB Industry  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**65)** Identify and describe the four basic financial statements:

**Question Details**AACSB : Communication  
AICPA : BB Industry  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-P2 Identify and prepare basic financial statements and explain how they inter  
Topic : Financial Statements  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Type : Static

**Answer Key**Test name: Chapter 01 Test Bank Problem

1)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Proprietorship** | **Partnership** | **Corporation** | **LLC** |
| **a.** | no | no | yes | yes |
| **b.** | yes | no | yes | yes |
| **c.** | yes | yes | no | no |
| **d.** | no | no | yes | no |
| **e.** | no | no | yes | yes |

2) $570,000. The Measurement (Cost) principle requires the acquisition of an asset to be recorded in the accounting records at cost.

3) 1. Business entity assumption. Buddy should refund the $500 to the business or record it as a dividend. In the future, he should use a personal check to pay for soccer camp.  
2. Going-concern assumption. Buddy’s Foreign Automotive is not going out of business. The business is just closing for vacation. He could hold an appropriate sale to generate extra business before going on vacation.  
3. Monetary unit assumption. The invoice should be restated in U.S. dollars for accounting purposes.  
4. Revenue recognition principle. Since the service has not been completed, revenue should not be recognized. The $1,500 should be placed in an account such as Deposits Received from Customers (a type of unearned revenue) until the service is completed.

4) Beginning equity = $80,000; Ending equity = $260,000<br> <br> Beginning Assets = Beginning Liabilities + Beginning Equity<br> $200,000 = $120,000 + $80,000<br> <br> Ending Assets = Ending Liabilities + Ending Equity<br> $360,000 = $100,000 + $260,000

5) $380,000 = $140,000 + $240,000<br> <br> Ending assets = $350,000 + $30,000<br> Ending liabilities = $110,000 + $30,000<br> Ending equity = $240,000 (no change)

6) Assets = Liabilities + Stockholders’ Equity  
Assets Increased by $20,000; Liabilities Increased by $5,000; Therefore, Equity needs to Increase by $15,000.  
  
Change in Equity = Contributed Capital + Net Income − Dividends  
Increase of $15,000 = $3,000 + Net Income − $11,000  
$15,000 = Net Income − $8,000  
Net Income = $23,000

7) Beginning Equity + Stock issuances − Dividends + Revenues − Expenses = Ending Equity  
 $173,000 + $2,000 − $15,500 + $97,000 − $43,800 = $212,700

8) October 1st Equity = $74,000; October 31st Equity = $94,000  
  
Total assets:

|  |  |  |
| --- | --- | --- |
|  | **October 1** | **October 31** |
| **Cash** | $ 40,000 | $ 60,000 |
| **Accounts Receivable** | 40,000 | 38,000 |
| **Total assets** | $ 80,000 | $ 98,000 |

<br>At October 1:<br>Assets = Liabilities + Equity<br>$80,000 = $6,000 + Equity<br>Equity = $74,000<br><br>At October 31:<br>

|  |  |
| --- | --- |
| **Equity, October 1** | $ 74,000 |
| **Plus October net income** | 20,000 |
| **Equity, October 31** | $ 94,000 |

<br>At October 31:<br>Assets = Liabilities + Equity<br>$98,000 = $4,000 + $94,000<br>Liabilities = $4,000

9) Assets increased by $62,000.  
   
Change in Assets = Change in Liabilities + Change in Equity  
$62,000 = $92,000 − $30,000

10)

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Assets** | **Liabilities** | **Equity** |
| April 1 | I | N | I |
| April 2 | D | N | D |
| April 3 | I,D | I | N |
| April 4 | I,D | N | N |
| April 8 | I | N | I |
| April 15 | I | N | I |
| April 20 | I,D | N | N |
| April 30 | D | N | D |
| April 30 | D | N | D |

11) a. +A +E  
 b. +A +L  
 c. +A +E  
 d. +A −A  
 e. +A −A  
 f. −A −E  
 g. −A −L

12) 1. Investment of cash in business by stockholder or performed services for cash.<br> 2. Purchased equipment for cash.<br> 3. Purchased supplies on credit.<br> 4. Investment of cash in business by stockholder or performed services for cash.<br> 5. Performed services for both cash and on credit.<br> 6. Paid accounts payable.<br> 7. Received cash for an account receivable.<br> 8. Purchased supplies for cash.<br> 9. Paid cash dividends or paid expense of business.

13)

|  |  |
| --- | --- |
| **June 10** | The stockholder invested $60,000 cash in the company. |
| **June 20** | Land and building were purchased for $12,000 cash and an $18,000 note payable. |
| **June 30** | Office supplies were purchased for $2,000 on account. Cash was received for $3,000 of services provided. |

14) a. 20%<br> b. 10%<br> c. 5%

15)

|  |  |  |  |
| --- | --- | --- | --- |
| TWO RIVERS VENDING SERVICE | | | |
| Balance Sheet | | | |
| April 30 | | | |
| **Assets** |  | **Liabilities** |  |
| **Cash** | $ 10,000 | **Accounts payable** | $ 18,000 |
| **Accounts receivable** | 10,000 | **Notes payable** | 47,000 |
| **Office supplies** | 12,000 | **Total liabilities** | $ 65,000 |
| **Building** | 28,000 | **Equity** |  |
| **Trucks** | 55,000 | **Common stock** | 20,000 |
|  |  | **Retained earnings** | 30,000 |
| **Total assets** | $ 115,000 | **Total liabilities and equity** | $ 115,000 |

16)

|  |  |  |  |
| --- | --- | --- | --- |
| SMOKEY RIVER SUPPLIES | | | |
| Balance Sheet | | | |
| December 31 | | | |
| **Assets** |  | **Liabilities** |  |
| **Cash** | $ 10,000 | **Accounts payable** | $ 13,000 |
| **Accounts receivable** | 8,000 | **Notes payable** | 41,000 |
| **Supplies** | 12,000 | **Total liabilities** | $ 54,000 |
| **Equipment** | 35,000 | **Equity** |  |
| **Land** | 18,000 | **Common stock** | 20,000 |
|  |  | **Retained earnings** | 9,000 |
| **Total assets** | $ 83,000 | **Total liabilities and equity** | $ 83,000 |

17)

|  |  |  |  |
| --- | --- | --- | --- |
| CANE PROPERTY MANAGEMENT | | | |
| Balance Sheet | | | |
| December 31 | | | |
| **Assets** |  | **Liabilities** |  |
| **Cash** | $ 7,500 | **Accounts payable** | $ 3,500 |
| **Accounts receivable** | 5,000 | **Salaries payable** | 1,000 |
| **Office supplies** | 1,500 | **Notes payable** | 50,000 |
| **Land** | 35,000 | **Total liabilities** | $ 54,500 |
| **Building** | 100,000 | **Equity** |  |
| **Office equipment** | 10,000 | **Common stock** | 60,000 |
|  |  | **Retained earnings** | 44,500 |
| **Total assets** | $ 159,000 | **Total liabilities and equity** | $ 159,000 |

18)

|  |  |  |
| --- | --- | --- |
| GARZA DÉCOR | | |
| Income Statement | | |
| For Month Ended November 30 | | |
| **Revenue:** |  |  |
| **Fees earned** |  | $ 34,000 |
| **Operating expenses:** |  |  |
| **Rent expense** | $ 9,600 |  |
| **Salaries expense** | 4,200 |  |
| **Telephone expense** | 250 | 14,050 |
| **Net income** |  | $ 19,950 |

|  |  |
| --- | --- |
| GARZA DÉCOR | |
| Statement of Retained earnings | |
| For Month Ended November 30 | |
| **Retained earnings, November 1** | $ 0 |
| **Plus: Net income** | 19,950 |
|  | 19,950 |
| **Less: dividends** | (6,000) |
| **Retained earnings, November 30** | $ 13,950 |

|  |  |  |  |
| --- | --- | --- | --- |
| GARZA DÉCOR | | | |
| Balance Sheet | | | |
| November 30 | | | |
| **Assets** |  | **Liabilities** |  |
| **Cash** | $ 21,200 | **Accounts payable** | $ 12,000 |
| **Accounts receivable** | 19,000 | **Notes payable** | 4,250 |
| **Office furnishings** | 40,000 | **Total liabilities** | $ 16,250 |
|  |  | **Equity** |  |
|  |  | **Common stock** | 50,000 |
|  |  | **Retained earnings** | 13,950 |
| **Total assets** | $ 80,200 | **Total liabilities and equity** | $ 80,200 |

19)

|  |  |
| --- | --- |
| KENNEDY REALTY | |
| Statement of Retained earnings | |
| For year Ended December 31 | |
| **Retained earnings, January 1\*** | $ 65,000\* |
| **Plus: Net income** | 32,000 |
|  | $ 97,000 |
| **Less: dividends** | (30,000) |
| **Retained earnings, December 31** | $ 67,000 |

|  |  |
| --- | --- |
| **\*Total assets at January 1** | $ 100,000 |
| **Less total liabilities at January 1** | 35,000 |
| **Total stockholders’ equity at January 1** | $ 65,000 |

20)

|  |  |  |
| --- | --- | --- |
| Jet Styling | | |
| Statement of Cash Flows | | |
| For Month Ended January 31 | | |
| **Cash flows from operating activities:** |  |  |
| **Cash collected from customers** | $ 7,750 |  |
| **Cash paid for supplies** | (1,500) |  |
| **Cash paid for rent** | (1,800) |  |
| **Cash paid for wages** | (4,000) |  |
| **Cash flows from operating activities** |  | $ 450 |
| **Cash flows from investing activities:** |  |  |
| **Purchase of equipment** |  | (7,500) |
| **Cash flows from financing activities:** |  |  |
| **Investment by stockholders** | 15,000 |  |
| **Dividends** | (2,000) |  |
| **Payment of loan** | (1,000) |  |
| **Cash flows from financing activities** |  | 12,000 |
| **Net increase in cash** |  | $ 4,950 |
| **Beginning cash balance** |  | 3,200 |
| **Ending cash balance** |  | $ 8,150 |

21)

|  |  |  |
| --- | --- | --- |
| ROADMASTER AUTO RENTALS | | |
| Income Statement | | |
| For Year Ended December 31 | | |
| **Revenue** |  | $ 217,000 |
| **Expenses:** |  |  |
| **Insurance expense** | $ 2,000 |  |
| **Wages expense** | 75,000 |  |
| **Advertising expense** | 22,000 |  |
| **Maintenance expense** | 39,000 |  |
| **Total expenses** |  | $ 138,000 |
| **Net income** |  | $ 79,000 |

|  |  |
| --- | --- |
| ROADMASTER AUTO RENTALS | |
| Statement of Retained earnings | |
| For Year Ended December 31 | |
| **Retained earnings, January 1** | $ 0 |
| **Add: Net income** | 79,000 |
| **Less: Dividends** | (52,000) |
| **Retained earnings, December 31** | $ 27,000 |

|  |  |  |  |
| --- | --- | --- | --- |
| ROADMASTER AUTO RENTALS | | | |
| Balance Sheet | | | |
| December 31 | | | |
| **Assets** |  | **Liabilities** |  |
| **Cash** | $ 11,000 | **Accounts payable** | $ 36,000 |
| **Accounts receivable** | 24,000 | **Notes payable** | 47,000 |
| **Airplanes** | 150,000 | **Total liabilities** | $ 83,000 |
| **Hangar** | 60,000 | **Equity** |  |
| **Office furniture** | 15,000 | **Common stock** | 150,000 |
|  |  | **Retained earnings** | 27,000 |
| **Total assets** | $ 260,000 | **Total liabilities and equity** | $ 260,000 |

22)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets =** | | | **Liabilities +** | | **Equity** | | | |
| **Date** | **Cash** | **Receivable** | **Equipment** | **Accounts Payable** | **Notes Payable** | **Common Stock** | **Dividends** | **Revenues** | **Expenses** |
| **May 1** | 90,000 |  |  |  |  | 90,000 |  |  |  |
| **May 2** | (10,000) |  | 25,000 |  | 15,000 |  |  |  |  |
| **May 2** | (3,000) |  |  |  |  |  |  |  | (3,000) |
| **May 6** | 5,000 |  |  |  |  |  |  | 5,000 |  |
| **May 7** | (2,000) |  |  |  |  |  |  |  | (2,000) |
| **May 8** |  |  | 2,500 | 2,500 |  |  |  |  |  |
| **May 9** |  | 16,000 |  |  |  |  |  | 16,000 |  |
| **May 15** | (2,300) |  |  |  |  |  |  |  | (2,300) |
| **May 17** | 2,400 |  |  |  |  |  |  | 2,400 |  |
| **May 20** | 10,000 | (10,000) |  |  |  |  |  |  |  |
| **May 28** | (1,500) |  |  | (1,500) |  |  |  |  |  |
| **May 31** | (2,400) |  |  |  |  |  |  |  | (2,400) |
| **May 31** | (5,300) |  |  |  |  |  |  |  | (5,300) |
| **May 31** | (450) |  |  |  |  |  |  |  | (450) |
|  | 80,450 | 6,000 | 27,500 | 1,000 | 15,000 | 90,000 | 0 | 23,400 | (15,450) |

23) Accounting

24) Sole proprietorship

25) External

26) Financial accounting

27) Internal controls

28) Ethics

29) business entity

30) going-concern

31) monetary unit

32) Measurement (Cost) principle

33) unlimited liability

34) Financing

35) Investing

36) Operating

37) dividends

38) Revenues

39) assets

40) liabilities

41) equity

42) Assets = Liabilities + Equity

43) payable

44) assets minus liabilities

45) Record-keeping or Bookkeeping

46) Return on assets

47) net income

48) The statement of retained earnings

49) income statement

50) Accounting is an information and measurement system. It identifies, records, and communicates relevant, reliable and comparable information about business activities. Accounting also includes the crucial process of analysis and interpretation. It is part of our everyday lives, through such activities as banking, paying taxes, and receiving payroll checks. Technology plays a major role in accounting by reducing the time effort and cost or recordkeeping while improving clerical accuracy.

51) The balance sheet is one of the four required financial statements a company prepares periodically. It describes a company’s financial position by listing the types and amounts of assets, liabilities, and equity of a business at a specified point in time. The statement’s purpose is to provide information that helps users assess the financial condition of the business.

52) There are two general types of users of accounting information. Internal users are managers and officers of businesses. They require information about business activities in order to make decisions about planning, monitoring, and control. External users rely on financial statements to make business decisions. These users include lenders, and shareholders. Lenders need information for measuring the risk and return of loans. Shareholders need information for assessing the risk and return in owning shares.

53) The four broad areas of accounting are financial accounting, managerial accounting, taxation and other accounting related employment. The majority of the employment opportunities are in private accounting where employees work for businesses. Private sector jobs would include general accounting, taxation, budgeting, and cost accounting activities. Public accounting offers opportunities to perform work such as auditing, tax services, and consulting.

54) The purpose of accounting is to provide useful information for decision makers. For information to be useful, it must be trusted. This requires ethical behavior by accountants and managers in all phases of gathering, analyzing and reporting financial information so that good decisions are made.

55) The two important guidelines for revenue recognition include: Revenue is recognized (1) when goods or services are provided to customers and (2) at the amount expected to be received from the customer. Assets received from selling products and services do not need to be in cash. Revenue recognized is measured by cash received plus the cash equivalent of other assets received.

56) The four basic forms of business organizations are sole proprietorships, partnerships, corporations, and limited liability companies (LLC). Sole proprietorships are businesses owned by one person. They are separate entities for accounting purposes but are not separate from the owner legally or for tax purposes. Partnerships are businesses owned by two or more people who are jointly liable for tax and other obligations. Corporations are businesses legally separate from their owners, making them responsible for their own acts and own debts. They are also subject to an additional corporate tax. Corporations conduct business with the rights, duties and responsibilities of a person. Limited liability companies owned by one or more ‘members’. LLCs are legally separate from their owners; the owners have limited liability and do not pay taxes.

57) The Financial Accounting Standards Board (FASB) is the private-sector group that has been delegated the task to set both the broad and specific principles of GAAP. The Securities and Exchange Commission (SEC) is a government agency that has the legal authority to set GAAP and oversees proper use of GAAP by companies that issue stock and debt to the public.

58) The going-concern principle means that financial statements reflect an assumption that the business continues in operation instead of being closed or sold. Assets are therefore reported at cost rather than at liquidation value.

59) The income statement describes a company’s revenues and expenses along with the resulting net income or loss over a period of time due to earnings activities. Revenues are the increases in equity from sales of products and services to customers. Expenses are the costs of providing products and services to customers. When revenues exceed expenses, net income occurs. When expenses exceed revenues, a net loss occurs.

60) The accounting equation is stated as: Assets = Liabilities + Equity. Assets are resources owned or controlled by a business that are expected to provide future benefit. Creditors’ claims on assets are called liabilities. Stockholders’ claims on assets are called equity. The accounting equation shows that the resources (assets) of the business equal the source of funds to acquire and the claims against those resources.

61) Liabilities are creditors’ claims on assets. They reflect obligations to transfer assets or provide products or services to others in a future outflow of resources. Equity is stockholders’ claim to assets. It includes the investments of stockholders and what the company earns on the stockholders’ behalf. Equity is also called net assets or residual interest.

62) Return on assets is useful in evaluating management, analyzing and forecasting profits, and planning activities. It shows the effectiveness of using assets to earn profit.

63) The cost-benefit constraint says that information disclosed by an entity must have benefits to the user that are greater than the costs of providing it.

64) The three types of activities reported in the statement of cash flows are (1) operating, which involve using cash to research, develop, purchase, produce, distribute, and market products and services as well as receiving cash from selling products and services; (2) investing, which represent the cash inflows and outflows from the purchase and sale of long-term assets, and (3) financing, which are the cash inflows and cash outflows related to stockholder investments and dividends and long-term borrowing and repaying cash from lending.

65) The four basic financial statements are the balance sheet, income statement, statement of retained earnings, and statement of cash flows. The balance sheet describes the company’s financial position and lists the types and amounts of assets, liabilities, and equity at a point in time. The income statement describes the company’s revenues, expenses, and net income over a period of time. The statement of retained earnings explains changes in equity from net income or loss, and dividends over a period of time. The statement of cash flows reports on cash flows for operating, investing, and financing activities over a period of time.